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Austria	Sch. 18	Indonesia	Rp 2500	Portugal	Esc 80
Bahrain	Din 0.650	Italy	L 1300	S. Arabia	Rls 6.00
Belgium	BFr 42	Japan	Y550	Singapore	S$ 4.10
Canada	C$1.00	Jordan	Fils 500	Spain	Pta 110
Cyprus	C£0.60	Kuwait	Fils 500	Sri Lanka	Rup 30
Denmark	DKr 7.25	Lebanon	£L 8.00	Sweden	SKr 6.50
Egypt	E£1.00	Luxembourg	LFr 42	Switzerland	SFr 2.20
Finland	Fmk 6.00	Malaysia	Rg 4.25	Taiwan	NT $85
France	Fr 6.00	Mexico	Pes. 300	Tunisia	Din 0.600
Germany	DM 2.20	Morocco	Dh 6.00	Turkey	L 210
Greece	Dr 70	Netherlands	Fl 2.50	U.A.E.	Dh 6.50
Hong Kong	HK$ 12	Norway	Nkr 6.00	U.S.A.	$1.00
India	Rup. 15	Philippines	Pes. 20		

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Statistical Trends: EEC Exports key to output recovery, Page 6

World news

Business summary

Winnie Mandela to defy ban order

South African black nationalist leader Winnie Mandela said she would defy an order from Pretoria to return to internal exile and expects to be arrested.

Mandela, in Cape Town to be with her husband Nelson who is recovering from surgery, said she would return to Soweto black township near Johannesburg when he goes back to prison.

Riot police used shotguns and tear gas during sporadic unrest in three of the country's four provinces that left four people dead. Page 3

Hijack 'proof'

Italian Defence Minister Giovanni Spadolini said he had proof the hijackers of the Achille Lauro telephoned the headquarters of the Palestine Liberation Organisation in Tunis before seizing the liner last month.

Bhopal accusation

Union Carbide, the US chemicals company, refused to comment on new accusations that the death of more than 2,000 people near its plant in Bhopal, India, was partly caused by cyanide gas released in the leak from the plant last December. Page 3

Bonn to decide

Indications are increasing that the West German Government will finally give its formal blessing to involvement in the US Strategic Defence Initiative – Star Wars – within the next six weeks. Page 3

French candidates

France's governing Socialist Party completed its candidate list for National Assembly elections next March, with some seats being allotted to non-socialists sympathetic to the Government. Page 20

Colombia killings

Colombian left-wing rebels killed 11 soldiers in an ambush in the western province of Cauca, the Defence Ministry said.

Bomb kills six

Six people died when Tamil separatists blew up a bus in retaliation for the killing of 33 rebels by Sri Lankan troops, as a ceasefire and peace talks both neared collapse. Page 3

Mafia indictments

Palermo magistrates have indicted a record total of 475 suspects accused of 90 murders, paving the way for the largest Mafia trial in the organisation's history. Page 2

Marcos rebuffed

Philippine opposition leaders said a proposed post-dated resignation by President Ferdinand Marcos was unconstitutional, and called on him to declare the presidency vacant before holding an early election.

Belgian attack

The Belgian Government met in crisis session after a weekend attack on a suburban supermarket left seven dead and 15 wounded. Page 2

Israel warned

A pledge by Palestine Liberation Organisation chairman Yassir Arafat to refrain from attacks outside occupied Arab territories does not exempt Israel from raids, a PLO leader said. Page 3

Polish amnesty

Jailed senior activists of the banned Solidarity free trade union appeared to have been excluded from a restricted amnesty announced by the Polish Government, Western diplomats said.

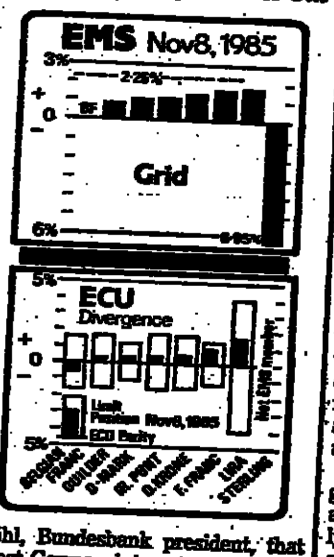
Piggott wins

British jockey Lester Piggott concluded his European horse racing career by winning the L65m ($37,000) Rome Prize and was presented with a gold medal on behalf of Italian racegoers.

NZ opens up to foreign banks

NEW ZEALAND is to allow any financial institution, local or foreign, to operate as a bank. Finance Minister Roger Douglas said the Government would allow banking operations on the sole condition that an applicant had a capital base of NZ$30m ($17.5m) and a fully paid-up capital of NZ$15m. The step is the latest in a series of deregulation moves. Page 20.

EUROPEAN Monetary System: The D-Mark showed little change on the week against other EMS currencies. Comments by Mr Karl Otto



Pöhl, Bundesbank president, that West German interest rates would not be increased to match a rise in Japanese interest rates, allowed some of the weaker members to improve so that although little changed on the week, the D-Mark finished below its best level. Weaker currencies also benefited from a late rise in the dollar, depressing the D-Mark and reducing the chances of any distortions between stronger and weaker members. The Belgian franc remained the weakest currency but was trading comfortably within its divergence limit.

The chart shows the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross rates from which no currency (except the lira) may move more than 2¼ per cent. The lower chart gives each currency's divergence from its "central rate" against the European Currency Unit (ECU), itself a basket of European currencies.

LONDON Metal Exchange will resume tin trading next Monday. It has given the International Tin Council a last chance to find ways of settling debts of hundreds of millions of dollars to brokers and banks. Page 8

SOVIET draft five-year plan for the economy places the burden of increased investment in industry and defence on the consumer. Page 2

INDIA's ambitious R180,000bn ($147bn) five-year plan for 1985–90, which aims at annual growth of five per cent, was approved by the National Development Council, the country's most important decision-making body. Page 3

AUSTRIA's small co-operative banks are facing a crisis which has prompted the resignation of the board of their central regulatory institution. Page 21

BRITAIN'S 16 commercial television companies are expected to decide today to go ahead with a satellite-delivered SuperChannel to beam the best of British TV to West European cable networks. Page 7

CABLE & Wireless North America, US division of the UK parent, strengthened its position in the telecommunications market with the completion of a 488km cable link between Dallas and Houston. Page 24

TURNER Broadcasting System, the US group, is negotiating with Viacom International, radio, TV and cable entertainment group, for the sale of 50 per cent of MGM studio facilities acquired by Turner. Page 24

EURODOLLAR bond issues have been stagnating because of brighter performance by the New York market. Page 21

US looks beyond Geneva with plan for more summits

BY REGINALD DALE, US EDITOR, IN WASHINGTON

PRESIDENT Ronald Reagan is likely to propose at least two more superpower summits, establishing top level US-Soviet exchanges at roughly yearly intervals, when he meets Mr Mikhail Gorbachev, the Soviet leader, in Geneva next week, according to White House officials.

The idea, which is said to have been well received by Moscow, is that the summits should alternate between the US and the Soviet Union, with regular meetings between the two countries' foreign ministers every six months.

Mr George Shultz, the US Secretary of State, said in a television interview yesterday that it was "certainly possible" that agreement could be reached on such a proposal in Geneva. The move is likely to be welcomed by the US's European allies, and particularly by West Germany, which has been urging Mr Reagan to propose regular annual summits.

The plan, however, seems to stem at least in part from the expectation that the Geneva meeting, on November 19 and 20, will itself produce little if any concrete agreement on the important issues of arms control and regional conflicts around the world.

Mr Robert McFarlane, Mr Reagan's national security adviser said at the weekend that it was "unlikely" that the two sides would even agree to a joint communique in Geneva. Mr Shultz said that while the two countries would have to report in some way on the meeting, they might choose to do so in different ways.

Washington's aim is now to use the Geneva talks to do little more than lay the foundations of what Mr Shultz described yesterday as "a more constructive, stable relationship" – although minor agreements may be announced on items such as cultural co-operation and consular facilities.

In these circumstances, a senior official said at the weekend, it would be "pandering to the press" to issue a joint communiqué. "These two countries are starting something. They are not finishing something," he said.

With that limited objective in mind, Mr Reagan went out of his way to be conciliatory in a special 10-minute broadcast beamed to the Soviet people on Saturday, in which he insisted that the US had no hostile intentions towards the Soviet Union and repeated his often-used phrase that "a nuclear war cannot be won and must never be fought."

Mr Reagan revealed the folksy side of his character with an account of his small-town background as a teenage lifeguard, a radio sports commentator and a Hollywood actor, before launching into a vigorous defence of his Star Wars space defence programme.

"We do not threaten your nation and never will," he said in a message that was translated simultaneously into Russian, and broadcast to an estimated 120m people around the world in 42 other languages. Initial reports suggested that there had been some Soviet jamming of his broadcast, but not a complete blackout.

Mr Reagan praised the Soviet people's heroism in the Second World War and concentrated on the historic alliances between the US and the Soviet Union, rather than their present differences. He called for expanded contacts between the two countries, including the opportunity to communicate on each other's television systems.

Nevertheless, US officials made clear that Mr Reagan was prepared to engage in heated exchanges with Mr Gorbachev in Geneva if necessary. Mr Shultz confirmed that Mr Gorbachev had been "vigorous" and "combative" when he met him in Moscow last week, and said that it was important that the two leaders had a "strong conversation" in Geneva.

Another official said that if Mr Gorbachev was as combative with Mr Reagan as he had been with Mr Shultz, "the President will be vigorous right back. He really enjoys that kind of thing."

Continued on Page 20

The past as a prologue, Page 19

Oil and dollar worries may affect UK tax cuts

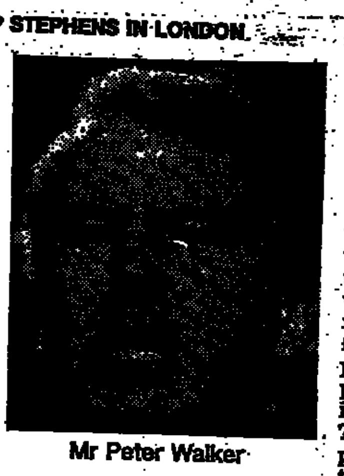
BY PETER RIDDELL AND PHILIP STEPHENS IN LONDON

LOWER oil prices and a weaker dollar have created considerable uncertainty in the UK over the size of the possible income tax cuts in the spring budget which Mrs Margaret Thatcher, Prime Minister, will this evening present as one of the Government's main priorities.

Ahead of the autumn economic statement in the House of Commons tomorrow, Mrs Thatcher will give what is officially billed as a "positive" view of the British economic growth and inflation in her annual speech to the Lord Mayor's Banquet in the City of London. She is expected to argue that the opportunity for tax cuts has only been created by the Government's firm control over public expenditure.

Mr Nigel Lawson, the Chancellor of the Exchequer, has decided against publishing updated forecasts for tax revenues with the statement. The Treasury's internal projections, however, indicate that oil revenues in 1986–87 are likely to be well below the £11.5bn ($16.2bn) envisaged last spring.

The Government expects part of the shortfall – put at between £2.5bn and £3.5bn by outside forecasters – to be made up by higher than expected revenue from income



Mr Peter Walker

and indirect taxes. The surge in consumer spending forecast for next year should increase value added tax revenue while buoyant earnings should boost income tax receipts.

The fall in oil revenues resulting from a combination of lower dollar oil prices and the rise in the sterling/dollar exchange rate still leaves the £3.5bn of tax cuts envisaged by the Treasury last March looking over-ambitious. Unless there is an unexpected change in either the foreign exchange or oil markets, tax reductions on that scale may depend on an increase in the public sector borrowing requirement above the current assumed target for 1986-87 of £7.5bn.

However a fall in oil prices has benefits for the economy as a whole which are not dissimilar to reductions in direct taxation. Recent simulations by the Treasury show that, while a 10 per cent drop in oil prices reduces Government revenue by £700m in the first year, it also pushes up economic growth by 0.1 percentage point and reduces the inflation rate by the same amount. The Treasury might therefore be prepared to accept tax cuts of less than the amount originally planned if it expected a separate boost to the economy from lower oil prices.

The additional receipts next year from the accelerated programme of public sector asset sales, probably about £2.5bn to £3bn above previously assumed levels, will be counted as negative public spending and will be used to offset an increase in expenditure by Whitehall departments. The Government has only been able to hold total spending in 1986-87 to the previously planned

Continued on Page 20

Boost for Ulster initiative

BY MARGARET VAN HATTEM IN LONDON

PROSPECTS for an Anglo-Irish agreement giving Dublin a voice in Northern Ireland policymaking were boosted at the weekend when Mr John Hume, leader of Ulster's Social Democratic and Labour Party, virtually endorsed the package.

Mr Hume, who has been kept fully informed as the negotiations progressed, warned his party at its annual conference, in Belfast, not to expect immediate, dramatic results from any such agreement. But, he added, his party would support any agreement that would help the "process of healing" the rift between the Unionist and nationalist communities.

He gave no indication that he had any reservations as to the content of the agreement. More significantly, he issued a thinly veiled warning to Mr Charles Haughey, leader of the Irish opposition, not to push his oppositions to the deal too far and reminded him of his own statements endorsing the process, made when his Fianna Fail party was in government.

The two governments are expected to make sufficient progress on their remaining differences for the long-awaited summit to take place, probably in the Irish Republic, either on Friday or early next week.

One crucial issue yet to be resolved concerns the siting of a permanent secretariat providing back-up for joint ministerial talks. Dublin insists that that should be set up in Belfast as a clear signal to the nationalist community that its role in the north will be more than symbolic.

But leading Unionist politicians have warned that such a move would, by providing a physical target, unite the various loyalist factions and trigger a wave of violence. They are pressing the Government to adopt a step-by-step approach, testing each new phase against popular reactions – a policy that Dublin regards as an incitement to loyalist violence.

Security experts in the province do not discount the possibility of violent reaction to the new agreement but believe there is little popular support at the moment in the Unionist community for armed resistance, and that it is less inflammable than it has been for many years.

Mrs Margaret Thatcher, the British Prime Minister, if she consults her own security advisers on the risks involved in setting up a permanent secretariat in Belfast, is likely to be told that it would make life more dangerous, but not impossible, for the security forces.

Netherlands to open fully its capital market

BY LAURA RAUN IN AMSTERDAM

THE NETHERLANDS plans to open its capital market completely, beginning in January 1986, in a move aimed at keeping abreast of liberalisation drives elsewhere in Europe and preserving Amsterdam's position as an important financial centre.

Foreign banks will be allowed to lead manage issuing syndicates for guilder bonds and Euroguilder notes, and popular instruments such as floating-rate notes and zero-coupon bonds will be permitted under the measures to be formally unveiled on November 20 by Mr H. Onno Ruding, the Finance Minister.

An official Amsterdam interbank offered rate, like the London interbank offered rate, also may be introduced to reflect the cost of overnight funds.

Also under consideration is a commercial paper market in which prime companies can borrow directly or through dealers from banks, institutional investors and other concerns.

Turnover on the Dutch capital market amounts to around Fl 500m a day for all listed domestic guilder bonds and Amsterdam is considered among the most liquid of continental European bond markets.

While Amsterdam clearly ranks behind London, it is similar in size to West Germany and Switzerland.

The Dutch financial markets are already among the freest in Europe, with borrowing allowed in any currency and no capital restrictions.

The Netherlands' move, however, has been expected since West Germany, the country's most direct financial competitor, took similar steps last May. London, with its increasingly dominant role in international finance, is viewed as a significant threat to Amsterdam, while Switzerland and France are also seeking to make their markets more attractive.

Integral to the Dutch liberalisation is the abolition of the central bank's closely regulated calendar of issues in which borrowers must queue for their turn to tap the market. If a borrower decides against issuing his bond or note at the allotted time because of poor market conditions, he must then go to the bottom of the list. From next year a borrower may go to the market at any time, although De Nederlandsche Bank must still approve the issue.

Competition from foreign banks in the Netherlands, especially American banks, has escalated sharply in recent years, and the new capital market opportunities are expected to raise the stakes.

The greater freedom to borrow in guilders also will mean a loosening of De Nederlandsche Bank's tight grip on the currency to keep it from becoming too internationalised. However, Amsterdam and The Hague see the new measures as the only way to ensure that financial market participants continue to view the Netherlands as the sophisticated money centre that it always has endeavoured to project.

Kuwaitis buy stake in Henry Ansbacher

BY DAVID LASCELLES IN LONDON

A GROUP of Kuwaiti investors has bought an 11.8 per cent stake in Henry Ansbacher, the small UK merchant banking group which nearly collapsed earlier this year.

The major partner in the group, Wafra Intervest, is a Kuwaiti Government agency. The cost of the stake is believed to have been about £9m ($12.7m). Three directors representing the Kuwaiti interests have joined Ansbacher's board.

The shares were acquired from Pargesa, the Belgian-Swiss financial group, which mounted the rescue for Ansbacher last May with a £35m rights issue. As a result, Pargesa's holding will fall from about 75 per cent to around 63 per cent. Pargesa's policy is to hold a controlling but not total interest in the many companies it owns, mostly in Europe and North America.

Ansbacher will today announce a profit of £1.5m before tax in the half-year ending September 30, compared to a loss of £13.1m in the whole of its last trading year, ending last March, when it was racked by losses from its newly acquired Wall Street investment banking firm, Laidlaw Adams and Peck.

Mr Richard Fenhalls, the new chief executive, will also stress the group has made full provision against its doubtful loans, and the divestiture of Laidlaw, from which it is expecting only minimal recoveries. There will be no dividend.

Austrian bank faces crisis, Page 21

Reagans roll out red carpet for royal superstars

By Reginald Dale in Washington

PRESIDENT Ronald Reagan emerged cheerfully from the White House in a loud tartan blazer previously reserved for private Christmas parties, the nation's capital showed off its full foliage in brilliant autumn sunshine, and a pet cockatoo along the royal route whistled "God Save the Queen." Teenaged girls came close to swooning – not over the Prince of Wales, but the Princess.

After the weeks of media hype and frantic jockeying for position in Washington high society, there was no trace of anticlimax as Britain's young royal superstars finally took their bow at the weekend before a public that ranged in mood from uncritical to adoring.

"The British have landed and all Washington is conquered," the New York Times said. "Charles and Diana take the town by storm," said the Washington Post.

Far from coming to an end with the royal arrival, the superlatives kept flowing. Saturday night's White House guest list may have been the most "stellar" of the Reagan Administation, according to one society writer.

Bright lights in the constellation included actors Clint Eastwood, John Travolta, Tom Selleck and Peter Ustinov, ballet dancer Mikhail Baryshnikov, singer Neil Diamond, and explorer Jacques Cousteau. But the royal party discounted widespread reports that the guests had been largely handpicked by Princess Diana.

With only about 1,500 invited to socialise with the royals during the weekend's events, the uninvited appeared to be adopting a face-savingly low profile. Not so the owner of the local football team, the Redskins, who proudly announced he had declined an invitation to the exclusive lunch hosted by multi-millionaire Paul Mellon yesterday. He could not miss watching his team play their most hated foes, the Dallas Cowboys.

The more plebian of those not invited could console themselves by having their pictures taken on a down-town Washington pavement beside lifesized cardboard figures of the royal pair which replaced the normal figure of a brown-suited Mr Reagan.

The American press trails the royals around Washington recording virtually every word uttered, right down to "I like your blue dress" (Charles), "I'm sorry you had to wait so long" (Diana), and "What happened to her red hat?" (a reporter).

Appropriately, though apparently unknowingly, the Princess arrived

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CONTENTS

Thousands join Spanish protests against Nato

BY TOM BURNS IN MADRID

TENS of thosuands took part in anti-Nato demonstrations yesterday in Spain's four main cities as campaigning for a referendum promised by the Madrid Government over continued membership of the alliance began in earnest.

The protests came in the wake of pro-Nato remarks by Prime Minister Felipe Gonzalez.

On Saturday Mr Gonzalez said he had spent the last two years analysing Spain's position in the Atlantic alliance and added: "I honestly believe that I can best defend Spain's interest b ysaying we should participate in the alliance."

Mr Gonzalez's widely publicised opinions included an admission that both he and the Socialist Party had changed their views on Nato.

At the time of the October 1982 general elections which swept the Socialists to power, Mr Gonzalez had been strongly opposed to alliance membership. A promise to put membership to a referendum formed a central plank of the Socialists' electoral manifesto.

Yesterday's demonstrations were the first lorge-scale anti-Nato protests since President Ronald Reagan was in Madrid last May. The protests organisers said the demonstrations in Madrid, Barcelona, Valencia and Bilbao were the opening shots in their campaign in the run-up to the referendum.

The Government has insisted that the referendum will be held, in spite of the shift in the Socialist Party's stance, and that the Spanish people will be asked to endorse continued Nato membership. Officials say the most likely date for the referendum is March 9.

Mr Gonzalez could take comfort yesterday in the fact that the demonstrations did not draw any prominent members of the Socialist Party or of the Socialist trade union.

The protests were spearheaded by minority left-wing parties.

The turnout at the demonstrations, while lower than on other occasions, nevertheless indicated broad opposition to Nato membership.

EEC entry will be hard for industry, says Gonzalez

BY DAVID WHITE IN LLORET

SPANISH Prime Minister Felipe Gonzalez conceded at the weekend that the initial stages of EEC entry would be "hard" for Spanish industry and predicted that anti-EEC attitudes would surface in the future.

However, speaking at a conference organised by the Barcelona-based Circulo de Economia, he expressed "reasonable optimism" about the future and about the role Spain could play in the Community.

Mr Gonzalez, who was making his first visit as Prime Minister to Catalonia, the country's prime industrial region, said he was worried that companies might wait until the last two years of the seven-year transition before tackling the changes membership will make necessary.

He said Spain needed to improve the efficiency of its administration, and described the effort to simplify bureaucratic procedures for the citizen as "a titanic struggle."

The tone of moderate optimism set by Mr Gonzalez and other members of the central and regional government was shaken, however, by a blunt statement from Mr Peter Sutherland, Irish member of the European Commission responsible for competition policy, of Brussels' determination to cut out state aid for industry.

The risk that Spanish industry would concentrate all its effort in the final stage of transition was underlined by Mr Manuel Marin, who as secretary of state handled the last three years of entry negotiations and who is due to become one of Spain's two commissioners in Brussels.

Mr Marin said that he would personally have favoured "more elements of competition" from the moment of entry.

Belgian Cabinet meets over killings

By Ivo Dawnay in Brussels

THE BELGIAN Government met in crisis session yesterday after a weekend attack by armed raiders on a suburban supermarket left eight dead and 15 wounded.

The new killings, following two similar raids in September which resulted in seven deaths, come close on the heels of four bomb attacks on banks last week by the so-called Fighting Communist Cells (CCC) ultra-left terrorist group.

Such a wave of violence has led to a mounting clamour for action from the public, yet so far the police have failed to make any significant arrests.

Yesterday, Mr Jean Gol, the vice-Premier designate, told a television phone-in audience that new measures were being introduced to ensure public safety. "The Government is determined to do everything in its power to take these people out of circulation," he said.

Despite these assurances, angry callers insisted that more needed to be done, with many demanding that the death penalty be reintroduced.

The week's events have also come as a major distraction for Mr Wilfried Martens, the Prime Minister, who has been locked in talks with senior members of his centre-right coalition since their election victory last month. Mr Gol's Liberal Party is now certain to press for greater spending on law and order.

It is the arbitrary nature of the supermarket killings that have most disturbed the public. On Saturday, the gang struck a Delhaize store at Aalst, 25 kilometres west of Brussels, shooting down shoppers, including a man, his wife and 14-year-old daughter, sometimes at point blank range. They escaped with just BFr 200,000 (£2,500).

This week a post-office security van was blown up when raiders failed to open its rear door. Two died. Between Sunday night and the early hours of Tuesday, four banks were also hit with bombs in attacks claimed by the CCC.

Mr Gol said yesterday that a connection between the CCC bombings and the other raids could not yet be ruled out.

Soviet consumers to take the strain

Patrick Cockburn reviews the draft for the next five-year economic plan

THE Soviet consumer, never pampered in the past, will have to shoulder much of the burden of increased investment in industry and defence over the five years from 1986, according to the draft plan for the Soviet economy published at the weekend.

The Kremlin's forecast of about 4 per cent annual growth is more moderate than expected in the light of speeches by Mr Mikhail Gorbachev, the Soviet leader, during the summer. He said he needed to satisfy the needs of higher investment in industry and bigger allocations for defence but without neglecting the consumer.

In the event, the consumers' real income is forecast to rise by only 2.5 to 2.9 per cent, a small drop from the level of the last five-year plan. Investment is to rise by 3.4 to 3.9 per cent compared to the present 3 per cent.

The highest investment will be in manufacturing industry in traditional industrial loans such as Moscow, Leningrad, the Ukraine and the Urals. The main thrust of Mr Gorbachev's economic speeches since he became leader has been that industrial plant in these areas must be upgraded with more advanced equipment in order to produce higher quality goods.

The same emphasis is evident in the next five-year plan.

The guildelines also specifically mention that the present international situation means more investment in defence. This is already estimated to take 13 to 14 per cent of the gross national product but has been growing slowly since 1976.

Mr Gorbachev is expecting a good performance from agriculture though there is little precedent for this on past performance. Meat production is to rise from 17m to 21m tonnes a year, and the grain harvest to 250m tonnes compared to about 190m tonnes this year.

Agriculture and food programmes already take about one third of total civilian investment and Soviet planners have hinted that this proportion might be reduced. There is no sign of this in the new plan, however, but growth is clearly expected to come from existing resources.

The same emphasis on more productive use of existing investment and greater conservation is also evident in the plans for the energy sector. Oil production is not forecast to rise but demand is to be reduced by substituting gas in the power stations. Strip coal mining and nuclear energy are being vigorously developed.

Although the draft plan has been issued it appears that the final decisions on how investment should be allocated have still to be taken. There is a hint of greater flexibility on prices, and a strong emphasis on the decentralisation of decision making away from the state planning organisation (Gosplan) and the ministries. They are to concentrate on strategic issues and not detailed intervention.

Kasparov makes peace with authorities

THE new world chess champion, Mr Garry Kasparov, toned down his rebel image yesterday and said his clashes with Soviet and international chess authorities were a thing of the past, Reuter reports from Moscow.

Addressing a news conference at the Tchaikovsky concert hall in Moscow, where he completed his victory over former title holder Mr Anatoly Karpov yesterday, Mr Kasparov said the chess crown carried great responsibility and he would do all he could for his country.

"I want to say that there is a big difference between the champion Garry Kasparov and the challenger Garry Kasparov," he said.

Mr Kasparov, 22, the youngest ever chess champion, ended Mr Karpov's 10-year reign by beating him 13—11 in the 24-game series.

Mr Kasparov, a Jewish-Armenian from the Caspian Sea republic of Azerbaijan, saw his first bid for the title thwarted last February when world chess officials abruptly called off his match against Mr Karpov just as the former champion was sinking fast.

Mr Kasparov denounced the move as designed to save an exhausted Mr Karpov and in an interview with a Yugoslav magazine in July said his relations with Soviet chess officialdom could not be worse.

Yesterday Mr Kasparov, dressed in a sober light grey business suit, said: "I think that all those questions of July and February are in the past.

"As the challenger, I wanted the match to proceed in an honest, sportsman-like fashion. And now that I am the champion, I feel a great responsibility and I understand that there is a great responsibility on my part for the development of chess."

Asked if he would emulate Mr Karpov, who is chairman of the Soviet peace fund, in engaging in officially sponsored political activities, Mr Kasparov said: "I shall do everything that I can do for my country."

Mr Kasparov declined to say how much prize money he had won by defeating Karpov. The prize is denominated in hard currency and provides a chance to buy expensive goods scarce or unavailable in the Soviet Union.

Silly brand names a problem for China

BY ROBERT THOMSON IN PEKING

A GROUP of Chinese entrepreneurs, trying to make a few yuan out of the economic reforms, have been in front of the Mao Tse-Tung memorial hall in Tienanmen Square for the past week selling souvenir bottles of Mao memorial "black-bone chicken medicated and tonic liquor."

The great helmsman is no doubt rolling over in his glass display case at this exercise in opportunism so close to his preserved person. But for a China charting a course along the road of pragmatic economic development, this entrepreneurial effort highlights other deeper concerns.

China is determined to increase exports of manufactured goods to bankroll the modernisation drive, although the selling intentions of Chinese producers are often fatally flawed by shoddy packaging, silly brand names, and laughable foreign-language instructions.

The "black-bone chicken medicated and tonic liquor" has English-language instructions in an unintentionally punk style, with capital letters suddenly appearing in the middle of misspelt and typographically awry words.

Its "action" is said to be "nourishing blood and rastoring vim and vigor" as well as "promoting mental power." The instructions claim: "It also fits for drinking."

The unwieldy names of Chinese products prompted a letter last week to the China Daily Newspaper from Dr Nigel Campbell of the Manchester Business School, who wrote that "company names and brand names are the shopfront of China's new economic reforms," yet "In Peking we have the Peking Number 2 Truck Works, the Peking Fourth Pharmaceutical Factory, the Peking Machine Tool Electric Equipment Factory and other."

He then pointed out the importance of brand loyalty. "There is a great need for China to create strong brand names. Of course there are Chinese brand names like Panda, Great Wall and Peacock, but these names have lost their value because they are used on many different products from many unrelated companies."

Raising brand-consciousness will not be easy in a country with a veritable plethora of "Pandas" and "Peacocks" but raising the consciousness of other countries to Chinese brands will be even more difficult, especially while packaging remains unaesthetic and of poor quality.

Tea for export is generally produced by the cumbersomely titled "China National Native Produce and Animal By-products Import and Export Corporation," which doesn't exactly roll off the tongue.

A few of the more adventurous producers are experimenting with brands, most of them feeling the need to include the word "brand" on the label. But the marketing people at these factories have been generally unsuccessful.

Magistrates charge 475 Mafia suspects

By Alan Friedman in Milan

MAGISTRATES in Palermo have indicted a record total of 475 Mafia suspects who are accused of committing a total of 90 murders. The victims included judges, prefects, businessmen, police officers and soldiers.

The indictments, contained in an 8,632 page document, will pave the way for the largest trial in the history of the Sicilian Mafia.

The accusation, which is based in part upon revelations by Mr Tomaso Buscetta, the Mafioso-turned-informer, was presented at the wekend by judge Giovanni Falcone, Italy's most famous anti-Mafia magistrate, and four of his colleagues.

The 40-volume document represents the most detailed exposition to date of how the secretive organisation functions.

Among the 475 accused is the alleged "treasurer" of the Mafia, who was arrested recently, as well as numerous racketeers, drug traders and even former Sicilian government tax collectors.

Of the 475 suspects same 207 are in prison, a further 55 are under house arrest, 112 are free on bail and the rest are still at large.

The indictment document is the result of more than three years of investigation and contains details of the working of the "Cosa Nostra," including its international heroin trade, internal divisions among Mafia families, attacks on public officials and specific crimes by the 475 accused suspects.

FINANCIAL TIMES

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Pretoria TV ban fails to curb black protests

BY JIM JONES IN JOHANNESBURG

THE TOLL of deaths and injuries continued to rise at the weekend in South Africa in spite of Government hopes that a ban on television coverage would help curb violent black protests.

According to police reports, three black men were killed and three wounded on Saturday night. The reports said that two of the deaths occurred when police opened fire after being attacked by armed men.

A week ago the South African authorities placed a comprehensive ban on television coverage of the countrywide violence, saying that the presence of television cameras acted as a catalyst for violence and alleging that some television crews had paid black youths to riot in front of the cameras.

Deputy information minister Louis Nel backed up these allegations in a television interview last week by quoting a letter in the Daily Telegraph of November 5 purporting to have come from a Mr D. Evans of 10 York Road, Torpoint, Devon.

The writer, who said he had been in South Africa two months ago, claimed to have witnessed a television crew inciting black schoolchildren to riot.

Yesterday the Johannesburg Sunday Star disclosed that the letter was bogus. According to the newspaper Torpoint is in Cornwall, not Devon, the two residents of the town named D. Evans state that they did not write to the Telegraph, and the occupants of 10 York Rd are a Mr and Mrs Charles Crocker, who have lived there for 50 years.

On Friday Mr Nel again repeated allegations that television crews had incited violence, claiming that Government had eyewitness reports from private individuals as well as from police informers working for foreign television networks. He refrained from disclosing the identities of the alleged informants.

In Johannesburg the Foreign Correspondents Association again called on Mr Nel to provide specific evidence, names and dates of the incidents he alleges were incited by foreign television crews. However, Mr Nel says that disclosure of details would serve no purpose and would lead to "a trial by newspaper."

● Mrs Winnie Mandela, the wife of imprisoned African National Congress leader Nelson Mandela, is reportedly refusing to comply with a government order to return to her house in the Orange Free State town of Brandfort to which she was banished by ministerial decree eight years ago. Mrs Mandela is at present in Cape Town visiting her husband who is in hospital recovering from a prostate operation.

Like all banned people, Mrs Mandela cannot be quoted in South Africa. However she is reportedly determined not to return to the Brandfort house when her husband recovers from his operation and is returned to prison and apparently intends to break the terms of her banning order by moving into her home in Soweto.

Cyanide gas blamed for Bhopal deaths

By Terry Dodsworth in New York

UNION CARBIDE, the US chemicals company, refused to comment yesterday on new accusations that the death of more than 2,000 people near its chemical plant at Bhopal, India, was partly caused by cyanide gas in the leak from the plant last December.

The Connecticut-based company said that it could not comment on the report, based on a confidential survey by Indian doctors until it had seen it.

Up to now, Union Carbide has stuck firmly to its initial scientific analysis that the deaths at Bohpal were caused by poisons from methyl isocyanite.

Several Indian doctors treating Bhopal victims have raised the cyanide issue partly on the grounds that some patients appear to have responded to drugs used to treat cyanide poison. According to US sources, however, the use of the anti-cyanide drugs has not been universally approved by doctors at Bhopal, and there has been some controversy over the effectiveness of these medicines.

PRIVATE SECTOR TO BE GIVEN A BIGGER ROLE

Indian plan aims for 5% annual growth

BY K. K. SHARMA IN NEW DELHI

INDIA'S AMBITIOUS seventh five-year plan for 1985-90, which aims at an annual 5 per cent growth of gross domestic product, was approved by the country's supreme economic decision-making body, the National Development Council, at the weekend.

The plan involves government investment of Rs 1,800bn (£105bn) over the five-year period. As much as 90 perc ent of the funds will come from internal sources.

This leaves a gap in investment which it is hoped the private sector, which is to be given a bigger role than before, will fill. The Planning Commission expects private investment to be of the order of Rs 162bn over the five-year period.

The plan aims to reduce the number of people below the poverty line from the present 273m to 211m in 1990. This is still a substantial proportion of the expected population of around 900m at the end of the seventh plan period and is a measure of the gigantic problems of development in Asia's second largest country.

During the plan period, the agricultural sector is expected to grow at an annual rate of 4 per cent in terms of gross output and 2.5 per cent in terms of value added. Foodgrain production is expected to reach 183m tons in the last year of the plan.

The plan aims at an overall annual growth rate of more than 8 per cent in the industry sector. Large and medium industry and mining in the public sector is to get Rs 22.5bn in investment with a substantial part earmarked for schemes already under way. An extremely limited approach has been adopted for new industrial projects.

Altogether, 70 per cent of spending under the plan has been allotted to steel, fertilisers, non-ferrous metals, petrochemicals and cement which are in what is called the "core" sector.

The single largest amount, Rs 54.8bn, goes to the energy sector with as much as Rs 34.3bn devoted to electricity generation. This is in recognition that crippling power shortages are holding back both industrial and agricultural development.

Since other infrastructure constraints on the economy include transport, development of railways and roads has been allotted Rs 23bn.

Agricutlture and irrigation, which in the past have enjoyed the lion's share of total spending, have been allocated Rs 10.5bn and Rs 17bn respectively, partly because considerable advances have been made in these areas and further progress is bound to be slower.

Social services, including welfare programmes, get a fairly hefty Rs 29bn, but it is recognised that this can affect just a fringe of the problem in a country the size of India.

The net inflow of foreign resources for the public sector plan has been estimated at Rs 18bn. This is based on projections of the balance of payments covering detailed estimates of imports, exports, current invisibles and capital transactions. The assumed net inflow from abroad constitutes 10 per cent of the total outlay in the public sector.

PLO 'will use violence in Israel'

BY TONY WALKER IN CAIRO

IN AN apparent contradiction to a statement by Egypt's President Hosni Mubarak, a top Palestine Liberation Organisation official has said the PLO pledge to renounce violence outside the occupied territories does not include Israel itself.

Mr Salah Khalaf, who is also known as Abu Iyad, said in Cairo yesterday that "as long as our rights are not clearly defined, and as long as Israel does not acknowledge them so we do not define any place for the purposes of resistance."

"We consider all Palestine as occupied until our enemy acknowledges our existence and acknowledges we have national rights."

Mr Yassir Arafat, chairman of the PLO, announced in Cairo last week that he was renouncing violence outside occupied "Arab" territories. Egyptian officials, including a top aide to Mr Mubarak, said Mr Arafat's pledge restricted PLO guerrilla activity to the West Bank and Gaza Strip and that Israel was excluded.

Mr Mubarak himself said at the weekend, when asked what Mr Arafat meant by occupied Arab territories, "my understanding is it is the West Bank and Gaza."

Tamils blow up bus as ceasefire nears collapse

A LANDMINE laid by Tamil separatists blew up a bus yesterday in revenge for the killing of 33 guerrillas by Sri Lankan troops as a ceasefire and peace talks on the island's ethnic crisis both neared collapse, Reuter reports from Colombo.

The Defence Ministry said the guerrillas were killed over the past three days during battles in eastern Trincomalee district where security forces were hunting for rebels who shot dead 10 Sinhalese villagers last Thursday.

He said the guerrillas struck back by setting off a landmine which killed six bus passengers near Sittaru village in Trincomalee.

Bonn likely to approve SDI involvement by Christmas

BY RUPERT CORNWELL IN BONN

SIGNS are growing that the West German Government, after months of hesitation and internal squabbling, will give its formal blessing to involvement in the US space-based Strategic Defence Initiative (SDI) project within the next six weeks.

Chancellor Helmut Kohl, who has never hidden his support for such an agreement, repeated at the weekend that Bonn would make up its mind "before Christmas," and again made light of accusations that his Cabinet was hopelessly divided on the issue.

More significantly, perhaps, the mass circulation Bild Zeitung newspaper claims today that the Chancellor has finally agreed with Mr Hans Dietrich Genscher, the Foreign Minister, who has all along been the leading government sceptic over SDI, on the shape West German participation should take.

According to the paper, whose report was yesterday described as "speculative" by the government, Bonn's explicit backing would take the form of a letter from Mr Manfred Woerner, the Defence Minister, to Mr Caspar Weinberger, the US Defence Secretary.

This would commit Bonn to the project on the condition that it shared in the results of the research programme, and on the condition that these results served "civil and defence purposes only." In order to still fears over the US imposing severe restrictions on SDI technology transfers, both sides would undertake to keep the findings confidential.

Constant reports of strained relations between the Chancellor and Mr Genscher, and the Foreign Minister's liberal Free Democrat (FDP) party have dented the credibility and authority of Mr Kohl and his Government.

Meanwhile the near certainty of Britain reaching final agreement shortly on an SDI deal with Washington has removed one of the strongest objections of Mr Genscher to a similar understanding by Bonn—that West Germany, geographically on the East-West frontline and the home of a strong peace movement, should not be alone among the Western allies in formally endorsing SDI.

Whether or not a formal agreement is signed, opinion in West Germany remains unconvinced. A poll this weekend from the INFAS research institutions showed that 49 per cent of the general public here is against participation in SDI, whether ratified by a government-to-government accord, or merely as individual contracts between the Pentagon and West German companies. Twenty-eight per cent were for participation

Contadora eager for closer EEC links

The Venezuelan Foreign Minister speaks to Richard Johns in Caracas

THE Contadora group attaches great significance to the prospect of closer economic co-operation between the European Community and Central America as a means to help pacify the region, according to Mr Simon Alberto Consalvi, the Venezuelan Foreign Minister.

Results of next week's meeting in Luxembourg between representatives of the group—Venezuela, Mexico, Colombia and Panama—which is seeking a settlement in Nicaragua and San Salvador and the EEC would be "very important for the success on the ground of the political process underlying Contadora's strategy," he said in an interview here.

After the talks on November 11 and 12 the EEC is expected to announce a doubling of its annual aid to the republics of Central America from the present level of Ecus 43m (£23.6m).

The countries concerned were anxious to know what the EEC is going to propose, Mr Consalvi said, pointing out that their gross domestic product had dropped to the lowest point for 20 years and conflict had become a "modus vivendi."

Economic collaboration with the EEC could provide "an alternative to this situation," he said, in what was clearly an appeal for involvement in the region by industrialised powers other than the U.S. and the Soviet Union.

Mr Consalvi refused to comment publicly on the possible implications for Central America if the forthcoming summit between President Reagan and Mr Mikhail Gorbachev, the Soviet Communist Party leader, resulted in a measure of detente and new understandings about areas of conflict.

Venezuela and its partners in the Contadora group are clearly unhappy about a settlement being imposed on Central America within such a superpower context.

Last Tuesday President Jaime Lusinchi said that he hoped outside elements involved in the Central American crisis, in particular the US and the Soviet Union, would cease to intervene.

The Venezuelan Government, like its partners in the Contadora group, resents the prospect of any deal on Central America being done by the super-powers, especially one based on a trade-off involving other issues, for instance Afghanistan, being done over the heads of the states of the region.

Referring to the decision by Petroleos de Venezuela to lease and operate the Curacao refinery abandoned by the Royal Dutch/Shell, Mr Consalvi accused the group of never being genuinely interested in reaching an agreement which would have made possible continued operation of the facility under its ownership using Venezuelan crude as a feedstock.

He said that they had constantly changed their conditions and made proposals (relating to pricing of oil) which "were absolutely unacceptable."

WORLD TRADE NEWS

David Dodwell reports that the fierce haggling with GEC and Framatome is unlikely to lead to cancellation

China ponders implications of nuclear plant delay

"THERE would only be one loser if Daya Bay did not go ahead—China itself," said one foreign economist last week as he watched the fiercely-fought final stages of negotiation between the Chinese Government and the British and French teams who hope to win the $3.5bn (£2.45bn) nuclear power contract in China's southern Guangdong province.

To be exact, it would be Guangdong province that would be the loser. While it is among the richest in the country, its growth is strait-jacketed by power shortages which will worsen between now and 1992 when the first nuclear unit is due to come on stream.

Negotiations with Framatome of France, who would provide the nuclear island for the 1,800 Mw plant, and GEC of the UK, who would build the conventional power plant, have already stretched through six years. The fierceness of haggling as talks have entered their final stages—climaxing with GEC's decision to abandon the negotiating table and return to the UK two weeks ago only to return to China this week—has aroused fears that a deal may not be agreed.

A compromise still seems likely, and few think China plans to cancel the project, despite indications from Peking that it would prefer to build thermal power plants using local coal. But further delay is now a real possibility. As a result, officials in Hong Kong and Guangdong, where all of the power would be used, are seriously considering the implications.

Officials in Guangzhou, the provincial capital of Guangdong, say that with just 4,000 Mw of installed capacity for a population of about 60m, the province falls about 30 per cent short of current power needs. By comparison, Hong Kong has installed capacity of just over 6,000 Mw for 5½m.

Most factories in Guangdong are restricted to four-day working weeks, and face constant unplanned "brown outs" when power supplies are restricted. Worst hit are industrial areas like Henan in the southern Guangzhou, and the Shenzhen, the economic zone on the border with Hong Kong. With hydroelectric plants accounting for 60 per cent of the province's installed power capacity, shortages are most acute in the five-moth dry season from October until February.

To cope with shortages, many factories are encouraged to work at night. All manufacturers are allotted electricity quotas. Hotels and continuous process industries that need to run over their quota have to pay substantial surcharges.

Power blackouts would be more frequent if the province were not able to buy electricity from China Light and Power, one of Hong Kong's two power generating companies. In its latest financial year, which ended in September, China Light sold Guangdong 988 gigawatt hours of electricity—8 per cent of its output, and a 54 per cent increase on 1984. Guangdong paid HK$416m (£40m) for this power, a significant drain at a time of extreme foreign exchange shortage.

Guangdong's economy has grown by more than 32 per cent over the past 12 months, aggravating power shortages and prompting officials to step on the brakes for fear of making matters worse.

Plans to increase the province's poyer generating capacity fal far short of growing needs. Negotiations are in progres for 700 Mw coal-burning installations in Xiajiao and Zhanjiang, but even if these succeed, the plants would be unlikely to be commissioned before the early 1990s.

Emergency measures are planed to boost capacity by 100 Mw by amalgamating and refurbishing old boilers, but these are clearly palliatives. Even if plans for more thermal plants could be rapidly drafted, the quality of Chinese coal is poor, and Guangdong is far from any of the country's major coalfields. A rail line linking the province with Guizhou, the nearest significant source of coal, is due to be finished at the end of this year.

In this context, talk of delay in commissioning Daya Bay which would provide Guangdong with about 540Mw of capacity—can hardly be welcome. It is likely to be difficult enough reining in power demand until 1992 when Daya Bay comes on stream. Delay into 1993 or 1994 would further hobble its infant industries.

For Hong Kong, which is committed to taking 70 per cent of the power generated by Daya Bay (an arrangement made to enable the Chinese to generate the foreign exchange it needs to pay for the project), delay would be irritating but hardly crippling.

"We have rather Rolls-Royced ourselves as far as electricity is concerned," one Hong Kong official said. In recent years prudent power planning has enabled the Territory to maintain a 30 to 35 per cent margin between maximum demand for power, and installed capacity. With the first of four new 660 Mw units just commissioned by China Light at Castle Peak, and more modest expansion by Hongkong Electric, this margin is likely to be maintained through to 1992 on Government assumptions that demand for power will continue to grow in the 6 to 8 per cent range.

According to Mr Bill Stones, managing director of China Light, and deputy chairman of the joint venture company that will run the Daya Bay plant, even if talks with GEC and Framatome collapse, and a contract had to be negotiated with other contractors, the delay would not be more than 12 months — hardly enough to cause any serious headaches.

Hong Kong stands to gain from this last-minute brinkmanship between negotiating teams in one important respect. A lower contract cost will almost certainly result in cheaper nuclear power. Worries over the cost of power from Daya Bay have loomed large among the Hong Kong public—second only to concern over the environmental dangers of nuclear power. Electricity may be plentiful in the territory, but it is not cheap.

Negotiations between GEC Turbines of the UK and Chinese officials over the projected nuclear power station for Guangdong province are to re-start this week, according to diplomats in Peking, writes Christian Tyler.

The protracted talks were adjourned last month when the parties failed to agree on a price for the generating equipment GEC hopes to provide.

There were conflicting reports about the size of the gap between the two sides. The Chinese were said to have been looking for a discount of 25 per cent. But later reports from London and Hong Kong suggested the price gap was much smaller.

Bankers involved in the credit arrangements say the financing of the estimated $3.5bn (£2.45bn) project is virtually complete.

Framatone of France, which is bidding to supply the nuclear reactors, is also expected to resume negotiations this week or next. It had been asked to drop its price by about 20 per cent.

The Chinese have been putting pressure on the suppliers by warning publicly that unless differences could be ironed out quickly they might look for other contractors. This is seen as a greater threat to GEC than to Framatome, since the conventional equipment that GEC is hoping to sell can be bought elsewhere more easily.

The project is a joint venture between Guangdong Nuclear, which has a 75 per cent stake, and Hong Kong Nuclear Investment with 25 per cent.

Peking awards first contract in renewed oil search

BY ROBERT THOMSON IN PEKING

CHINA has finalised the first contract in the second round of bidding for oil exploration rights in the South China Sea.

A group headed by the Japan Petroleum Exploration Company signed the contract last week in Peking with the China National Offshore Oil Corporation for the exploration of a 5,100 sq km section of the Pearl River basin.

The second round of exploration licensing, bidding for which closed on July 1, attracted 24 companies. A CNOOC official, Chen Bingqian, said negotiations with other bidders will be completed and contracts signed with some or all by early next year.

Whether the Japanese consortium will find a commercially viable oilfield is debatable. The South China Sea has not produced the bonanza China has predicted. Mr Shigeo Kohzuki, the senior managing director of Japan Petroleum, admitted that his group's previous efforts in two sections of the South China Sea had "failed to discover any pearoleum.

"But we got a lot of well data," said Mr Kohzuki. "And also taking into consideration data from other well blocks, we have big expectations for these new blocks. "The Exploration Company's partners are the Huanan Oil [illegible] ment Company and Nippon Mining Company.

Success in finding significant reserves of oil is crucial to China's development plans, which are hindered by chronic energy shortages.

Oil exports, currently estimated at between 450,000 and 500,000 barrels a day, are an important source of foreign exchange earnings.

China had toned down its hard bargaining position of the first round of bidding, which began in August 1982. Then the companies had to pay all exploration costs, and, after a discovery, at least 49 per cent of development costs.

The aim of the more favourable terms this time around is to encourage the exploitation of small to medium size finds.

The Japanese companies expect that geophysical surveying of the contract area will begin in the first quarter of next year.

Nissan unveils a car for the future

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

THE CAR attracting the most attention from European and American visitors to the Tokyo Motor Show, which ends today, is the Cue-X, a "concept" or future car on the Nissan stand.

West Germans say Cue-X looks remarkably like an Audi 200. British visitors insist the style is closer to that of a Jaguar. They agree the Japanese group is presenting a large, luxury car that looks very European in character.

They also see it as a pointer to future Japanese strategy. How long, Japan's rivals are asking, will it be before the Japanese seriously invade the upper end of the car market, perhaps even providing competition for BMW, Jaguar and Mercedes?

Cue-X, like most other concept cars, pulls together the latest motor industry technology, including four-wheel-drive, four-wheel-steering and air suspension (all electronically controlled) as well as anti-skid braking runflat tyres, which enables the car to be driven in an emergency such as a motorway blow-out and a laser rader system to measure the distance to obstacles or vehicles ahead.

But it eschews exotic construction techniques in favour of steel for the body. As Mr Mark Snowdon, Austin Rover's managing director, product development, says: "It is not a Dan Dare vehicle full of fantastic gimmicks and completely out of touch with the real world."

Indeed, Mr Don Kopka, Ford's vice-president in charge of design, suggests Cue-X is "all of a piece" and would not take long to put into production.

Nissan admits it intends to put a car similar to Cue-X on the market—but not until the early 1990s. According to Mr Tomokuza Tokuda, one of Nissan's general managers in charge of research, much Cue-X technology is either already available on production cars or will be shortly.

Cue-X obviously is not aimed at the Japanese market because cars of its type attract a large tax penalty which means only the very rich can afford them. Mr Tokuda says Nissan wanted "a luxury car with a roomy interior and of the right size for the international markets."

Of course the market the Japanese are most concerned about is the US.

Honda, which last year sold 374,800 cars in the US against 248,000 in Japan, at this year's show has given the first public viewing to its Legend, the executive car developed jointly with Austin Rover of the UK and which is the first model of such large dimensions from the Japanese company. Honda has set up a separate dealer network in the US, called Acura, with 50 outlets, to handle the model.

Honda hopes to sell between 20,000 and 30,000 in the US compared with only 1,500 domestically.

However, Mr Dan Werbin, sales director for Volvo of Sweden's car business, says he has no real cause for concern so far. "The Japanese companies are all trying to outdo one another in technology. At this show they seem to want to put as much power as possible through as many wheels as possible. But they are not paying enough attention to developing clearly defined images for themselves."

SHIPPING REPORT

Scrapping level raises hopes of tanker owners

BY ANDREW FISHER, SHIPPING CORRESPONDENT

THE SHARP rise in the rate of ship scrapping has lifted spirits in the tanker market. Owners of modern vessels particularly are hopeful of rates improving.

Last week, five VLCCs and ULCCs (very large and ultra large crude carriers) were sold for scrap. These included two ships of 423,000 deadweight tons, the Berge Emperor and Berge Empress, laid up in Norway.

The ships will be demolished in Taiwan, which has also taken the Esso Osaka for break-up. With world demand for oil still slipping, E. A. Gibson Shipbrokers said independent owners seemed to be emulating oil companies in shedding big tankers.

In October, 15 VLCCs and ULCCs were sold for demolition, five of them by Shell. Taiwan took 10 of these. The combination of a reduced import tax in Taiwan and competition from Japanese and South Korean shipbreakers kept scrap prices firm.

"October truly turned out to be an exceptional month," said Fearnleys, the Oslo shipbroker. Seventy ships of 6.4m dwt (mostly tankers) were sold for scrap, bringing the total so far in 1985 to 34.6m dwt against 22.8m for the corresponding period of 1984 and 32.7m in the entire record year of 1983.

Gibson said that of the 42m dwt of vessels over 200,000 dwt each, many of the older ones would be disposed of soon. Thus owners of newer ships could hope to obtain profitable employment.

VLCC rates, already showing signs of firmness in the previous week, again tended to rise slightly higher last week. One VLCC of around 240,000 dwt was fixed from Saudi Arabia to Japan at nearly Worldscale 40.

In the dry cargo market, conditions remained dull, reported Denholm Coates. Rates tended to drift with $13.25 (£9.20) a ton paid for grain from the US Gulf to Japan.

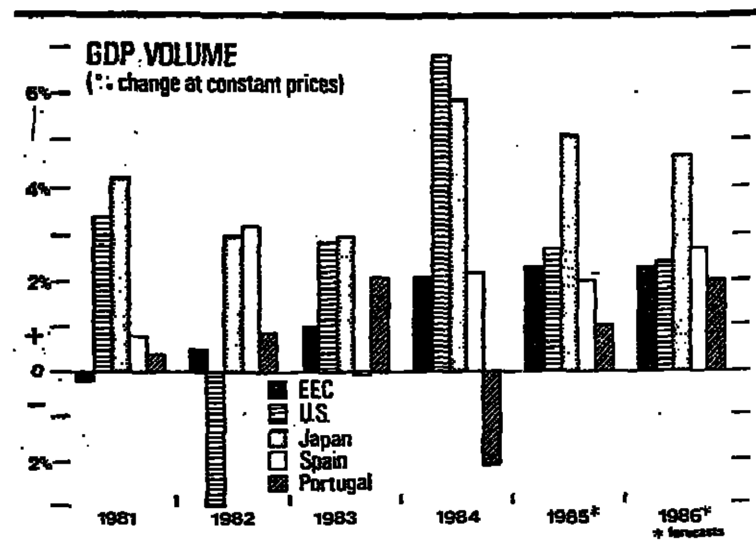
World Economic Indicators

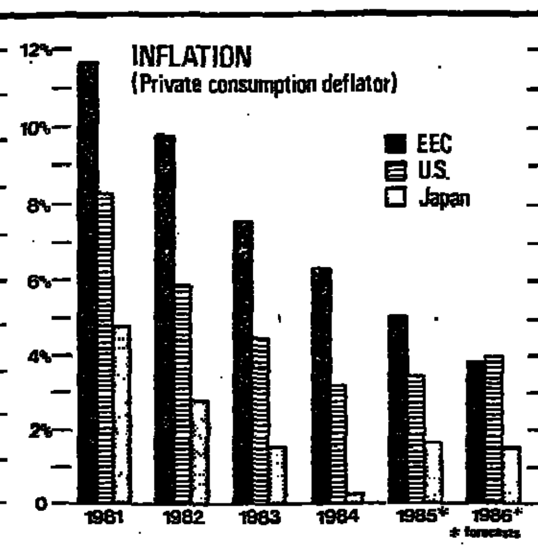
RETAIL PRICES (1980 = 100)

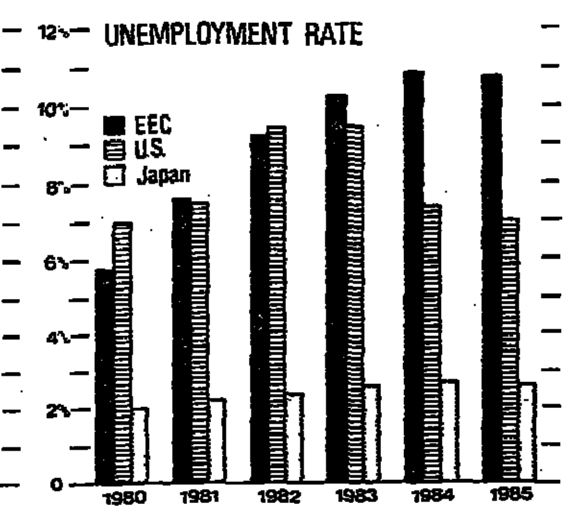
	Sept 85	Aug 85	July 85	Sept 84	% change over previous year
W. Germany	120.9	120.7	121.1	118.3	+2.2
France	159.3	159.1	158.9	151.3	+5.3
Italy	192.0	191.2	190.8	176.7	+8.7
Netherlands	122.8	122.2	122.2	120.0	+2.3
Belgium	141.5	141.3	141.3	135.4	+4.5
UK	142.8	142.9	142.5	134.8	+5.9
US	131.5	131.1	130.8	127.4	+3.2
Japan	114.7	113.6	114.7	112.8	+1.7

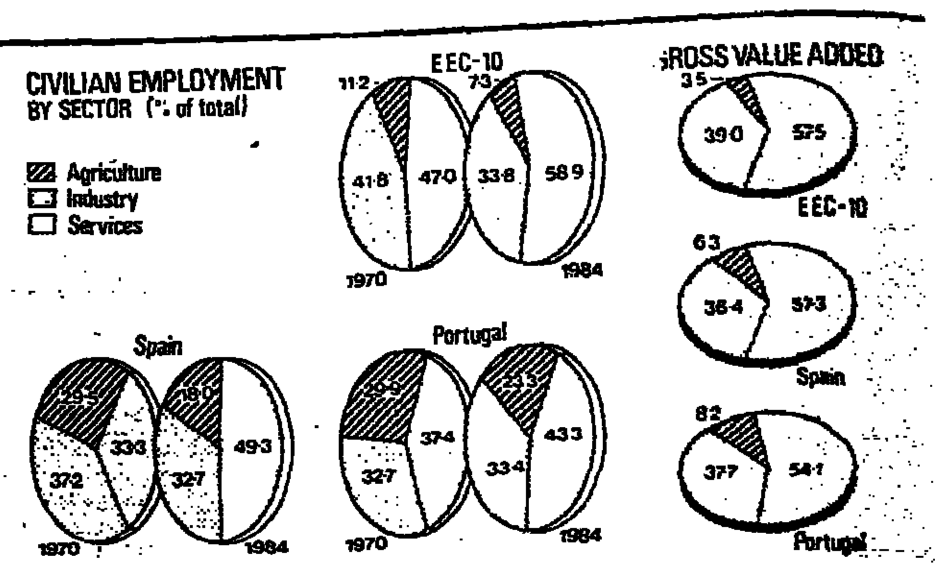
Source: Eurostat

STATISTICAL TRENDS: EEC









Exports the key to a recovery in output

THE recovery in output in the EEC is continuing after reverses in the first quarter in France and West Germany. Rates of growth for EEC are now converging with those being achieved in the US as expansion there slows, while in West Germany and the UK the second-quarter growth in gross domestic product outstripped the US rate.

Inflation rates have continued to decelerate. In August the consumer price index for the *European Community showed no increase on* the July figure, and in September the annual rate of inflation, at 5.3 per cent, was the *lowest for 15 years.*

The unemployment rate continues to be much higher in the EEC than in the US. The trend in employment growth is now positive, after no overall growth in the period 1973 to 1982, and declines in each year from 1981 to 1983. But the expected rates of growth of employment and the labour force mean that at best the unemployment rate will be stabilised at its current level in the EEC as a whole, though there may be falls in some countries.

The major question over the future growth for the EEC is the precise effect of the slowdown in US expansion. At present the effects have not been felt, mainly because the US is continuing to run record trade deficits. Statistics on the source of Gross National Product (GNP) growth for the EEC countries show the importance of exports in 1984, and their increased role in underpinning the recovery in output this year. The most important area for export growth, of course, has been the US but with reduction of the trade deficit now a priority in the US, that growth is unlikely to continue. There must be some doubt about where the alternative "engine" of growth can be found.

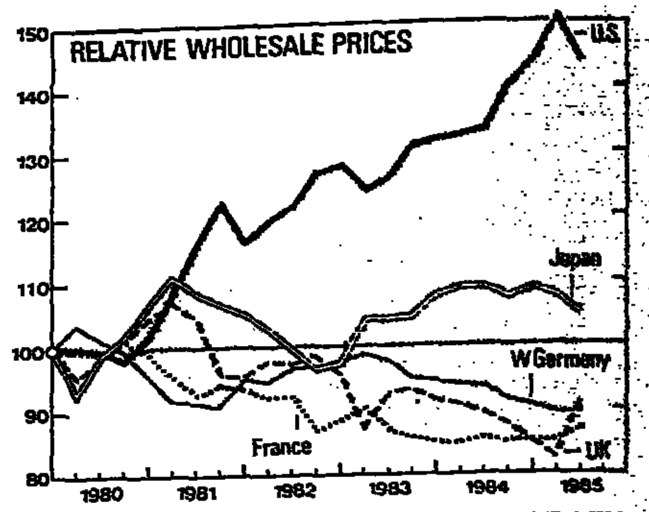
The overall competitive position of the EEC has improved, its high technology trade shows no great change. The value of exports divided by imports (the cover ratio) of high technology goods has continued to decline for the major four countries since 1981, except in the areas of telecommunications and scientific instruments, which have been stable or slightly improved. In bilateral trade, ratios have improved vis a vis the US, but with Japan the EEC's high cover ratios are in energy and food products.

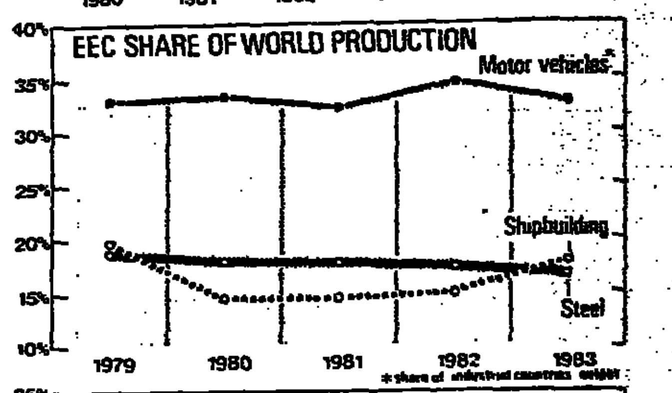
A major challenge to the EEC's own structure and direction comes with the accession of Spain and Portugal. These new members are farthest from the EEC average in terms of GDP per head. The structure of their economies also differs from the average, in that a larger proportion of gross value added is derived from agriculture, while far more people are employed on the land as a percentage of the employed labour force.

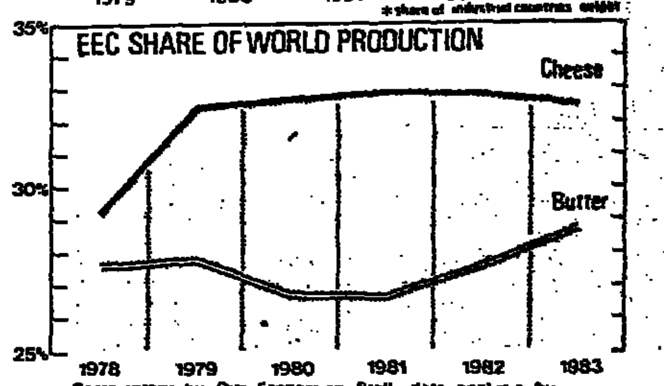
Spain has seen a fairly dramatic shift out of agriculture and into services since 1970, but in Portugal the change is less marked, with nearly a quarter of civilian employment accounted for by agriculture, compared with only 7 per cent on average in the EEC.

Manufacturing industry in these countries is also concentrated in traditional sectors like textiles, iron and steel and shipbuilding, which are in decline throughout the community.

The economic structure and relative poverty of the new members is likely to strain the EEC's budget further. Even within the existing EEC regional disparities are wide, as the figures giving the extreme cases in each country reveal.







Commentary by Our Economics Staff, data analysis by Financial Times Statistics Unit: charts and graphs by Financial Times Charts Department.

REGIONAL UNEMPLOYMENT RATES, APRIL 1985

%

W. Germany	7.0	Netherlands	11.8	Denmark	8.7
Bremen	11.8	North	13.7	Ost	10.0
Baden-Württenburg	4.0	West	10.6	Hovedstradsregionen	7.1
France	9.0	Belgium	11.6		
Mediterranee	11.5	Wallonia	13.4		
Ile de France	6.7	West	10.4		
Italy	10.5	UK	12.2		
Sardinia	22.0	N. Ireland	18.4		
Lombardy	7.0	E. Anglia	8.8		

Source: Eurostat (based on Labour Force Survey)

REGIONAL DISPARITIES — GDP per inhabitant (PPPs) EEC-10=100

Belgium	106.0	UK	92.6	Greece	55.7
Wallonia	87.5	N. Ireland	72.2	East & South Islands	44.4
Brussels	170.8	S. East	106.8	Central Greece	60.4
W. Germany	114.4	Netherlands	105.0	Denmark	111
Schleswig-Holstein	97.3	South	89.7	Hovedstadregioner	133
Baden-Württenburg	118.5	North	137.6	Ost	97
France	110.6	Italy	88.2		
Ouest	92.4	South	59.0		
Ile de France	156.5	Lombardy	115.5		

Source: Eurostat

EXPORTS TO USA

% change on previous year ($ values)

	Jan-Dec 1984	Jan-April 1985
Japan	38.6	28.9
W. Germany	34.6	12.3
France	35.0	14.5
UK	16.6	−9.6
Italy	46.0	21.4
Belgium	31.0	−5.8
Denmark	34.8	25.8
Netherlands	37.5	−11.7
Spain	55.9	−13.2

Source: Morgan Guaranty

EXPORT/IMPORT RATIOS

(value of exports divided by value of imports)

		W. Ger	France	Italy	UK	USA	Japan
Office machines,	1981	0.93	0.73	0.78	0.68	3.23	2.57
computers	1984	0.85	0.69	0.74	0.73	1.39	5.55
Communications	1981	1.13	1.14	0.76	0.96	0.70	6.59
equip. components	1984	1.13	1.20	0.84	0.77	0.60	7.18
Electrical trans-	1981	2.07	1.49	1.10	1.44	2.30	4.32
mission equip.	1984	1.94	1.39	0.98	1.12	1.26	4.07
Scientific	1981	1.42	0.76	0.55	1.01	0.97	6.59
instruments	1984	1.45	0.80	0.59	0.87	0.73	5.83

Source: OECD

SOURCES OF REAL GNP GROWTH %

	1984 GNP % change	1984 change as 1983 Domestic demand	1984 % of GNP External demand	1985 GNP % change	1985 change as 1984 Domestic demand	1985 % of GNP External demand
USA	6.8	8.6	−1.8	2.8	4.1	−1.3
Japan	5.7	3.7	2.0	4.5	3.2	1.3
W. Germany	2.6	1.6	1.0	2.3	1.0	1.3
France	1.6	0.5	1.1	1.3	0.8	0.5
UK	2.3	2.8	−0.5	3.0	2.3	0.7
Italy	2.6	2.8	−0.2	2.3	2.3	0.0
Belgium	2.2	1.1	1.1	1.7	1.0	0.7
Netherlands	2.2	2.1	0.1	2.0	1.0	1.0
Denmark	4.0	4.6	−0.6	2.7	1.7	1.0
Spain	2.2	−0.9	3.1	—	—	—

Source: Morgan Guaranty

GDP PER HEAD, 1982 (ECU)

(at current prices and PPPs*)

EEC-10 average	9,158
Difference:	
Denmark	+1,271
W. Germany	+1,186
France	+1,060
Luxembourg	+1,059
Belgium	+628
Netherlands	+214
UK	−516
Italy	−1,152
Ireland	−3,293
Greece	−4,103
Spain	−2,652
Portugal	−4,589

*PPPs—Purchasing Power Parities

Source: Eurostat

COVER RATIOS

Exports ÷ Imports

EEC—USA	1979	1980	1981	1982	1983
Energy	1.31	0.95	1.82	1.76	2.17
Basic Industry	1.1	0.88	1.32	1.32	1.51
Machinery & transport	1.40	1.53	1.34	1.41	1.64
Data-processing and electronic	0.38	0.34	0.33	0.34	0.38
Agriculture & food	0.36	0.33	0.36	0.43	0.65
Current consumption goods	1.26	0.91	1.17	1.40	2.00
Total	0.90	0.74	0.90	0.98	0.99
EEC—JAPAN	**1979**	**1980**	**1981**	**1982**	**1983**
Energy	22.88	6.85	5.80	2.61	2.26
Basic industry	1.27	1.30	1.31	1.34	1.28
Machinery & transport	0.30	0.30	0.25	0.24	0.26
Data-processing and electronic	0.16	0.13	0.09	0.09	0.08
Agriculture & food	5.27	4.65	6.25	5.77	3.33
Current consumption goods	1.38	0.96	0.99	1.21	1.17
Total	0.55	0.45	0.40	0.41	0.44

Source: EEC Commission

EMPLOYMENT & PRODUCTIVITY*

% change from previous period

		1982	1983	1984	1985	1986
EEC	Employment	−1.1	−0.7	0.2	0.3	0.3
	Productivity	1.6	1.9	2.2	2.0	2.0
USA	Employment	−0.9	1.3	4.1	2.0	1.8
	Productivity	−1.3	2.4	2.6	1.0	1.0
Japan	Employment	1.0	1.7	0.6	1.5	1.3
	Productivity	2.3	1.6	5.2	3.8	3.3

*GNP (GDP)/Employment

Source: Eurostat

EXPORT MARKETS AND PERFORMANCE

% change on previous year

	Markets* 1984	Markets* 1985	Markets* 1986	Performance† 1984	Performance† 1985	Performance† 1986
EEC	7.0	4.7	5.3	0.9	1.6	−0.1
US	8.5	5.2	5.4	−3.0	−2.7	1.8
Japan	12.8	6.8	6.6	1.9	0.8	−0.8

* Imports to markets (incl. EEC) weighted by their share in each other's exports. † Index for exports divided by an index of market growth.

Source: EEC Commission

Treasury 'plans to cut export support margins'

BY CHRISTIAN TYLER, TRADE EDITOR

THE BIG London banks are preparing for a battle with the Treasury over the rates they receive for providing loans to support British exports.

The Treasury has not disclosed its position, but it is understood to be seeking to cut the cost of a scheme for fixed-rate, medium-term lending administered by the Export Credits Guarantees Department (ECGD). The scheme is very large: at the last count there was some £11.8bn worth of such export lending insured by the ECGD.

One banker said yesterday he believed the Treasury was looking for a cut in margins so large that it would have a "catastrophic effect on the UK export effort." Others said the Treasury was entitled to call for a review of the rates in the light of greater competition, temporary over-capacity, and the introduction of new financing techniques, but they would resist any significant reduction.

Under the system, the banks provide loans at internationally agreed fixed rates – generally below commercial rates – for exporters insured with the ECGD. They are repaid the difference plus a margin, to cover costs, of [illegible] per cent over London Interbank Offered Rate (Libor) for sterling loans and between [illegible] per cent and [illegible] per cent over Libor for foreign currency transactions.

The cost of paying the margins will be around £100m in the present financial year, compared with the £250m cost of the interest rate make-up itself, according to the Treasury.

News of the Treasury's move came in a confidential letter to major banks from the Bank of England. It is likely to be opposed not only by the English clearers but also by most of the big American banks in London.

Mr David Olley of Manufacturers Hanover, who is deputy chairman of an American Bankers' Association subcommittee, said some might drop out of the market. He added: "We are going to be very hard put to it to accept lower margins because all banks are having to look closely at their return on equity and assets."

Some small, asset-hungry banks might vote for a reduction in margins, he said, "but if we leave this business to the secondary tier, how long will the market last?"

Mr Malcolm Stephens, export finance director of Barclays, said: "Any significant cut would have a very serious impact on the range of things that the banks do to support exporters, often free of charge."

The banks' negotiating position, likely to be unveiled at meetings next week, may already have been somewhat undermined. Recently, the Midland Bank waived its arranging fees on two major export credits – a promise of an ECGD-backed loan of about £350m for a nuclear power station project in China, and a £250m credit line for Iraq.

Although the Treasury would not comment yesterday on its aims, it may argue that banks are overpaid for lending that counts virtually as UK sovereign risk, for which rates of [illegible] per cent or less would be nearer the mark.

Banks will retort that export lending is time-consuming and expensive compared with other business and involves some "front-end" risk. They will also argue that the rewards on the few deals that go through must be big enough to pay for the costs of the many that do not.

"This is not any more ill-informed tinkering by civil servants, but wholesale tampering that could bring the house down," one banker commented.

An important point in the negotiations could be whether the two sides can agree what is the "clean" value of the margin on sterling loans, according to Barclays.

Cars operation may shift with Lotus 1,600 jobs expansion

BY JOHN GRIFFITHS

GROUP LOTUS expects to create a further 1,600 to 1,700 jobs over the next few years.

This would bring the total employed by the Norwich-based specialist car maker and engineering concern to 2,200 to 2,300, similar to the number of jobs envisaged for Nissan's UK plant at Washington, Tyne and Wear, in north-east England if Nissan commits itself to full-scale manufacturing in the UK.

However, the expansion could mean the break-up of what hitherto has been an integrated car-making and engineering operation at the 54-acre Norwich site.

Lotus is now investigating alternative production locations for its new X-100 sports car, to be launched early in 1987 and which is to be produced at 3,000 units a year – more than triple the volume of its existing cars.

Mr Michael Kimberley, Lotus' chief executive, said the aim was to establish to what extent it could defray the £8m costs of bringing the X-100 into production through regional and other forms of Government aid.

He said Lotus would prefer to build the car at its existing plant, but he did not exclude the project going outside the UK.

Mr Kimberley declined to comment on the £35m aid that the Government is to provide to Nissan if it proceeds beyond assembly to manufacture. He said, however: "We are looking very carefully at what other companies have achieved and areas where assistance is available."

So far, development of the X-100 has been funded entirely by internally-generated revenue. Lotus has also been pending about £500,000 on expansion of the Norwich plant. Its intended purpose has been to provide the facilities to build the X-100.

Mr Kimberley said it was now possible that the additional plant would be used by its expanding engineering operations.

Lotus which at present employs 610, is firmly committed to increasing its work force to just under 1,400 during the next 15 months. A further 122 engineering staff are to be recruited for its engineering operations and 625 employed to build the X-100.

Mr Hal Sperlich, Chrysler president, has confirmed that Lotus is developing four-wheel drive systems and high-performance engines for the US group, and General Motors is understood to have a large engine contract with the UK company.

Guidelines on handling fraud bring Civil Service 'into line'

BY SUE CAMERON

THE GOVERNMENT has hit back at newspaper claims that civil servants were planning to introduce new rules making themselves immune from prosecution for theft or fraud.

Mr Richard Luce, Minister for the Civil Service, said in a House of Commons answer that he wanted to "correct the false impression which may have been given recently that civil servants are to enjoy a special immunity from prosecution for criminal offences."

The row over so-called civil service immunity to prosecution comes in the wake of the Property Services Agency's (PSA) handling of various fraud cases some 18 months ago. The PSA, which manages the Government's property interests, was criticised by the Commons Public Accounts Committee for not taking action sooner to root out any weaknesses in its procedures once charges of dishonesty had been laid against individual officials.

The committee's criticisms are thought to have left senior Whitehall managers in a quandary. The Civil Service tradition has always been to prosecute for even the most minor offences – yet once a prosecution has been launched, senior officials felt it would be prejudging any court hearing to try to tighten up internal systems before a finding of guilt had been returned.

Whitehall has now produced new, draft disciplinary guidelines designed to meet the committee's criticisms. The chief feature of these is that government departments will be able to "handle very minor cases of theft or deception without involving the police."

Mr Luce emphasised that the new guidelines were "still at the consultative stage." He insisted that the changes proposed were merely designed to "bring Civil Service procedures into line with those in the private sector." He said that "as in the private sector, it may, in some circumstances be better for departments to deal with the matter expeditiously themselves rather than institute lengthy criminal proceedings."

He added that the new guidelines would "also allow departments, if necessary to change systems promptly to prevent a recurrence."

Teaching union unveils pay claim

BY DAVID BRINDLE, LABOUR STAFF

LEADERS of the second biggest teaching union have unveiled a pay claim for 1986 ahead of renewed attempts today to move towards a settlement of the nine-month old dispute over the 1985 demand.

The fresh claim by the National Association of Schoolmasters/Union of Women Teachers stresses the gulf between the Government's thinking on teachers' pay and the expectations of even the less militant unions.

Mr Fred Smithies, general secretary of the NAS/UWT, said he was determined to make progress today towards a speedy resolution of the 1985 dispute so that talks on salary restructuring – the basis of the 1986 claim – could begin.

However, the size and nature of the claim for next year can give parents no comfort that settlement of the dispute would mean a lasting end to disruption of their children's education.

The claim refers to the restructuring proposals put forward by the local authority employers a year ago which envisaged a professional grade for most teachers, ranging from £8,500 to £11,800 a year.

The NAS/UWT claim proposes a range from £9,300 to £17,730 and suggests only two further and limited grades below that of head teacher.

Buying US helicopters brings $111m in offset

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

UK COMPANIES have received over $111m (nearly £80m) of offset business as a result of orders by the British air force for the US Boeing Vertol Chinook heavy helicopter. Further business for the UK is likely on other Boeing Vertol programmes.

The first air force order for 33 Chinook twin-engined, twin-rotor helicopters was in 1978, worth over $242m. In return, Boeing Vertol agreed to place offset business in the UK for up to 25 per cent of that amount, or more than $60m, by 1988 with another 5 per cent, or over $12m if possible.

In 1983 a follow-on contract for eight more Chinooks was placed, worth over $89m, involving $18m more offset or about 20 per cent of contract value by 1983. This brought Boeing Vertol's total offset commitment to over $90m by 1993.

In all, 56 UK companies won business under the offset scheme. Among the biggest recipients are British Hovercraft (part of the Westland Group) with more than $55m, for major components for the Chinooks, and Lucas Aerospace, with over $15m, for equipment and components.

□ BUCKMASTER & MOORE, the stockbroker which is forging a link with Crédit Suisse, the leading Swiss bank, is planning to link with stockjobber Harold Rattle.

Harold Rattle is a seven-partner London-based market maker. The move is expected to provide Buckmaster & Moore with market making expertise in preparation for the radical reform of the British securities market, which will be implemented fully next year.

□ MR ROBERT MAXWELL, publisher of Mirror Group Newspapers (MGN) is to sue the Sunday Times over a story alleging that MGN is facing losses of £20m.

Mr Maxwell said in a statement that he took "grave exception" to the story which appeared as the main item on the front page of the Sunday Times' Business News. He claimed that the story had sought to "damage MGN's financial standing." He added that the Sunday Times was "no doubt hoping" that this would "help its sister papers, the Sun and the News of the World."

The Sun, the News of the World and Times Newspapers are all part of Mr Rupert Murdoch's News International group.

The Daily Telegraph is to carry a denial of speculation in The Times that it intended to issue new ordinary shares in the near future.

Despite expected losses, the Telegraph, which completed a £110m refinancing package earlier this year to aid modernisation plans, has repeatedly denied that it would issue more equity. It is thought that one option open to the Telegraph if it needs to raise more cash would be to sell some of its Reuters' shares.

□ WEDD Durlacher Mordaunt, one of the largest stockjobbers or market makers on the stock exchange, is to start trading in shares of more than 100 companies in which it has not previously traded. It said that the move was designed to strengthen its competitive position ahead of structural changes in the securities market.

□ BARCLAYS BANK was urged today by a senior trade union official to "come clean" over reported plans for big cuts in its branch network and job losses over the next 10 years. Mr Noel Howell, Assistant Secretary of the Banking Insurance and Finance Union (BIFU), representing 17,600 of Barclay's 70,000 staff, called for talks on new technology and job security.

□ COMMERCIAL TV companies in the UK are expected to decide in principle to go ahead with the creation of SuperChannel, a satellite-delivered television channel for West European cable networks. SuperChannel, designed to tap the pan-European advertising market, will carry the best of Britain's four TV channels, and will compete with Mr Rupert Murdoch's Sky Channel.

UK NEWS

Inaction on property tax reforms could hurt Tories in poll

BY ROBIN PAULEY

TAXES on property (domestic rates) are likely to be abolished in Scotland before the next general election if, as seems increasingly likely, the UK Cabinet abandons its plans for a poll tax and rates reform in England and Wales.

A growing number of Government Ministers are determined there *should* be no poll tax in England and Wales and no rates reform.

They believe the upheaval *and* the many people who would end up paying more, rather than less, coupled with the unpopularity of having two local taxes instead of one, would be *electoral suicide.*

Mrs Margaret Thatcher, the British Prime Minister, remains determined to act but several senior Ministers are confident of persuading her to settle for a green paper (discussion document) around the end of this year and a mention of reform in the *next election manifesto.*

The system of local government and rating is different in Scotland and the level of resentment about the incidence of rates has now reached a pitch where Mr George *Younger,* Scottish Secretary, and Lord Whitelaw, Deputy Prime Minister, believe inaction could cost the Conservatives dearly in the next election. The Tories have 21 out of 72 *seats in Scotland.*

If the plan to have rates and a poll tax is accepted for England and Wales, Scotland will follow the same route. But, if it is dropped, Mr Younger wants to abolish the Scottish *domestic rate, introduce a do*mestic poll tax of an average £170 a head per year and set the business rate centrally at a lower and uniform level.

Mr Younger and Mr Michael Ancram, *Home Affairs Minister at the* Scottish Office, are confident the Cabinet will approve their plan to abolish domestic rates in Scotland because it might rescue the Conservative's *political fortunes north of* the border and because it would enable the Government to say it is enacting its promise of reform but is waiting to see how the "experiment" *works out* in Scotland.

*Most of the Government minis*ters with Scottish seats have constituencies in high rated areas. Most of the Cabinet with seats south of the border have constituencies with low average domestic rate levels.

Tin market braces itself for an end to the phoney war

Traders on the London Metal Exchange face one of the most anxious weeks of their lives as they prepare for a day's business that they will never forget. Stefan Wagstyl reports

THE DECISION of the London Metal *Exchange (LME), the world's* leading metal market, to reopen tin trading next Monday has transformed the international tin crisis.

All the tensions that have been *accumulating* in endless private meetings held over the past two weeks, will erupt in public on the trading room floor. *As one dealer* said: "The phoney war is over."

There has been an unreal calm on the exchange floor since tin trading was suspended on October 24 to give the *International Tin Council,* which runs a price pact between consumer and producer countries, as much time as possible to come up with solutions.

It was the failure of the council's efforts to support prices above £8,500 a tonne that precipitated the crisis. The council ran out of money owing hundreds of millions of *pounds to brokers and bankers.*

Now the LME has given the tin council one last chance to find ways to settling the debts, at an emergency council meeting to be held on *Thursday. Otherwise* tin trading will have to reopen with no one knowing what the council, the biggest buyer for the past 30 years, will do.

Prospects *of* positive action from the council before next Monday do not look good. The immediate difficulty is that the gap between *its* debt and its assets cannot be filled without a huge injection of new *money from its 22 member govern*ments – perhaps £300m.

The council owes more than £300m to its 16 banks and has outstanding contracts to buy tin from *metal traders for more than £800m.*

Against that, its assets are 62,000 tonnes of stockpiled tin and a further 68,000 tonnes on its way if the contracts with traders are met.

Unfortunately, the value of all that tin will plummet when trading is resumed, cutting the council's total assets from above £1bn when trading was suspended at £8,140 a *tonne, to perhaps below £750m* when trading resume and prices fall, say, to £5,500 a tonne.

The UK Government, with the interests of the LME at heart, is *pressing its fellow tin council mem*bers to honour those debts. It is concentrating on its EEC allies, since the EEC speaks with one voice at tin council meetings.

However, even if UK succeeds with the Europeans, its efforts might still founder if it meets opposition from the leading tin-producing countries, Malaysia, Thailand and Indonesia. Those countries are *thought* to be preparing proposals of their own that would include not only plans to deal with the council's short-term debts, but also ideas for refinancing it in future.

Consumer countries might balk at any suggestion of trying to maintain prices above free market levels in future.

The tin council's banks have of*fered to give members more time* by deferring loan repayments for a year. But in return they have demanded government guarantees from the 22 members. One delegate *said that that condition* was so tough it made the banks' offer an ultimatum.

Meanwhile, as bankers, brokers and international civil servants try *to find ways of solving the dispute,* they are drawing in more and more lawyers to advise them. For many dealers there is a real fear that the whole matter may yet end in a long and costly court action. *Already* one trader, Amalgamated Metal Trading, has taken out a court injunction restraining the tin council from selling tin.

The council has formed a special sub-committee to look into its legal rights. Officials are confident that as an international organisation founded under the auspices of the United Nations, it enjoys a form of diplomatic immunity.

It is against that background that LME traders must prepare for next Monday. Fifteen of the LME's 28 ring dealing members, have out*standing contracts* with the tin council.

Will those traders try to sell tin if *prices collapse? Who will buy if the* council is not in the market? Will other traders try to make a killing at the expense of those owed money by the council? Will they hold back *for fear of destroying* the whole LME?

The answers to those questions *might be decided by the interna*tional groups that own most LME trading firms.

However, some companies have said they cannot make firm commitments until the extent of any losses is known – and that will be only after trading begins.

Others have preferred to say nothing – hoping to keep up the pressure on the tin council to move first. *LME* traders, then, face one of the *most* anxious weeks of their lives as they get ready for a day's metal trading they *will never* forget.

CBI set to publish rare view of pay in manufacturing

BY PHILIP BASSETT, LABOUR CORRESPONDENT

THE FOOD, chemicals and paper sectors consistently settle high in pay agreements, while *metals,* mechanical engineering and textiles settle low, says a forthcoming study of *manufacturing pay settlements* recorded by the Confederation of British Industry's pay databank.

The *databank* examines settlements in its sample of 1,200 establishments, covering nearly 600,000 empoloyees.

It records what the CBI, Britain's employers' *organisation, sees* as more appropriate information for studying pay negotiations than the Government's average earnings' increases, published by the Department of *Employment.*

The latest survey examines information from the databank over the past *five years,* giving a rare example of how pay in the key manufacturing sector has moved overall since the Conservative Government came to power.

The survey was *carried out by* Mr Peter Lobban, deputy director of the CBI's employment affairs directorate, together with two academics, Ms Mary Gregory of St. Hilda's College, Oxford, and Mr Andrew Thomson of Glasgow University.

Some of the results, to be pub*lished* in the *British Journal of In*dustrial Relations, seem to counter prevailing thinking on such issues as the potential impact of unemployment on pay.

Its main findings show:

- Winners and losers. Noting consistent settlement patterns for different sectors of manufacturing, small differences between settlement levels each year can become cumulatively important and lead to a marked change in pay relativities.

The gap between the highest settler, food, drink and tobacco, and the lowest, mechanical engineering, grew to 11.1 *per cent* on pay levels in 1979 (when the databank was established).

- Regional differences. Such industrial patterns are reflected, in part, at regional level. The highest cumulative increase over the period was in Scotland, at 54.9 per cent, with the south-east at 54.8 per cent.

The lowest was the West Midlands – *the heartland of the low*-settling mechanical engineering sector – at 48.2 per cent.

Both these points tend to suggest to the CBI that the labour market may be working as a pay regulator.

The databank is also the only pay monitoring scheme which consistently *looks* at negotiating pressures, and the five-year view of the survey reflects the changes in the economy in the lifetime of Mrs Margaret Thatcher's Government.

It shows that over the period, the cost of living has declined as an upward pressure on settlements. The similar pressure of profits, initially of limited importance, has returned strongly – supporting the *idea* that some companies had problems in managing their success.

Upward pressure from the need to recruit or retain staff collapsed in 1980, and has not returned. *Pressure* from threatened or actual industrial action has remained at a *low level.*

Economy must expand faster, says bank survey

BY ALEXANDER NICOLL

BRITAIN'S ECONOMY needs to expand at a *much faster rate if there* is to be any significant reduction in unemployment, according to Charterhouse, the banking group acquired this year by Royal Bank of Scotland.

Charterhouse's quarterly business forecast said the failure of unemployment *to fall in the first half* of 1985 when total output was up 4 per cent on the previous year, was alarming in light of a widely expected decline in the growth rate over the next year.

With the workforce likely to continue to expand by 150,000 a year until 1990, and productivity expected to keep rising by about 2 per cent a year, "total output will need to rise by an average of nearly 2½ per cent per year to prevent unemployment from rising further."

Adult male unemployment was unlikely to fall until the annual growth rate exceeded 3 per cent, Charterhouse said. In the 1930s, it said, unemployment was reduced from 3.3m to 1m through the abandonment of the *gold standard,* devaluation, high import duties, lower interest rates, rapid money supply expansion, and finally rearmament and conscription.

"It took all those measures to achieve faster growth and large-scale job creation, and just such a wide range of expansionary measures is called for now to achieve parallel success in returning to full *employment over a 10-year period,"* Charterhouse said.

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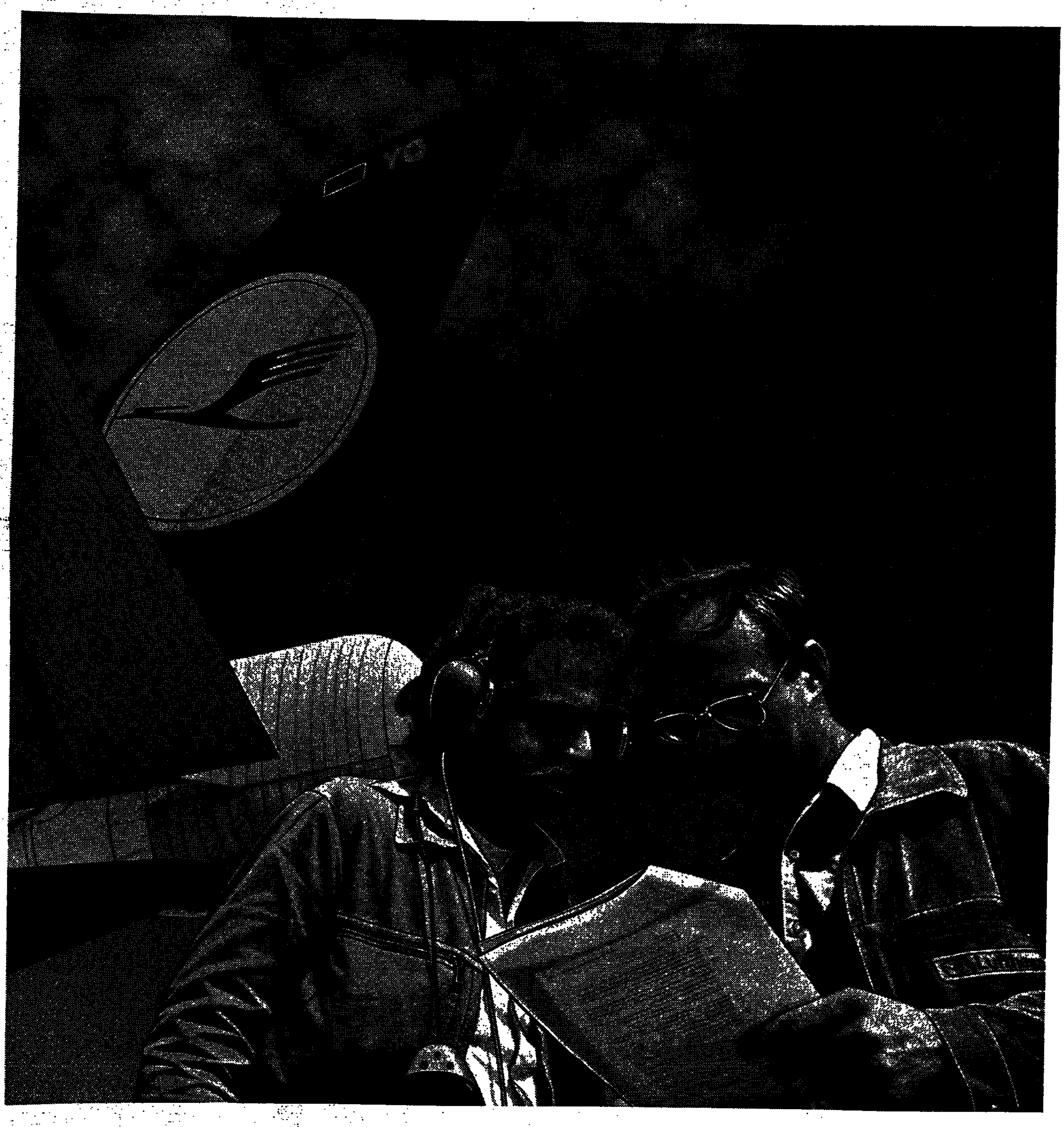

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UK NEWS

Heseltine orders probe of failed US Army bid

BY PETER RIDDELL, POLITICAL EDITOR

MR MICHAEL HESELTINE, the UK Defence Secretary, has ordered an inquiry into why there was such a large gap between the unsuccessful British and winning French bids for a new mobile battlefield communications system for the US Army.

The Reagan Administration announced last Tuesday that Thomson, the French-owned group, would receive an order worth $4.3bn in the long term. The bid from Plessey, the UK company, was priced at $7.4bn.

Speaking from the Far East, Mr Heseltine said on BBC television that the large price difference had been unbridgeable. He said many questions arose and he would put his mind to them urgently on his return to find out what happened and why.

Officials are preparing a brief for Mr Heseltine, who is likely to be questioned in parliament. Some MPs from the governing Conservative Party allege that the French Government must have subsidised the Thomson bid.

Mr Michael Heseltine – the gap was unbridgeable.

Mr Heseltine defended a personal intervention earlier this year by Mrs Margaret Thatcher, the Prime Minister, who wrote to President Ronald Reagan putting the British case. He said she had acted characteristically in pursuit of British interests and jobs, and it had been entirely right to try to secure in Britain's favour what had then appeared to be a more finely balanced decision.

However, the Ministry of Defence is known to have had doubts about the wisdom of Mrs Thatcher's intervention at such a late stage, in view of the virtual certainty that the contract would go to France.

● A non-partisan campaign in support of a freeze on production, testing and deployment of nuclear weapons throughout the world is to be launched in the UK this Wednesday, backed by figures from politics, industry, universities, the arts and show business.

The campaign, called Freeze, is distinct from the Campaign for Nuclear Disarmament (CND), since it aims at a multilateral initiative. Its main organiser is Dr Andy Haines, British representative of International Physicians for the Prevention of Nuclear War, which won the Nobel Peace Prize recently.

Patrons of Freeze include prominent politicians from the main opposition Labour Party, the centrist Alliance of the Liberal and Social Democratic parties, and at least one Conservative MP.

The Liberal leadership and some Social Democrats support an immediate freeze.

Daimler to build £9m vehicle centre

By Kenneth Gooding, Motor Industry Correspondent

THE BRITISH subsidiary of Daimler-Benz is to build a new commercial vehicle preparation and modification centre at West Park, Barnsley, South Yorkshire for £9.1m.

The centre, which will replace an existing one 12 miles away at Wakefield where 120 people are employed, is part of a £12m investment programme planned by Mercedes-Benz (UK) over the next four or five years.

At the end of the programme, MB (UK) will have rationalised its operations from eight separate locations, mainly in West London, to three – at Milton Keynes, with its headquarters and parts warehouse; at Harwich, with a car import and preparation centre, and Barnsley.

The company invested about £20m in the Milton Keynes facilities, which includes spending on relocation of staff or redundancy money for those people who did not wish to move from West London.

MB (UK) will finance the investment from its own resources. The latest accounts show net profit increased from £1.45m in 1983 to £2.69m last year.

However, the company did not pay a dividend for 1984. Only twice in the 11 years since it was set up has a dividend been paid to the parent group in West Germany: £2.1m in 1982 and £1.5m in 1983.

The company's balance sheet shows it had £17.6m in cash at the end of 1984, up from £14.5m a year earlier.

Turnover increased from £284.2m in 1983 to £324.4m last year and the taxable profit rose from £2.05m to £4.08m. Tax took just over £1m last year compared with a £1.257m tax credit for 1983. Extraordinary charges, mainly the cost of moving to Milton Keynes, fell from £3.568m (a net £1.863m after tax allowance) to £380,000 (£215,000 net).

The accounts show that the gross pay of Mr Hans Tauscher, the managing director and highest-paid director, was increased from £58,450 to £70,825 in 1984.

Mr Tauscher said at the weekend that he expects both car and commercial vehicle sales to continue to grow at an annual rate of 10 per cent to 15 per cent in the medium term.

New proposal to tackle unemployment

By Robin Pauley

A NEW SYSTEM of "workfare" which would give every able-bodied adult a statutory right to work or training after six months of unemployment is proposed today by Mr Ralph Howell, Conservative MP for Norfolk North.

Mr Howell says in a report for the Adam Smith Institute that the present welfare system encourages idleness and dishonesty, and that the answer is to provide paid employment in the community in low-cost labour-intensive schemes such as environmental improvement or community welfare work.

The young who had never worked would not be entitled to unemployment benefit but would be able to attend full-time paid training courses.

Mr Howell estimates the overall cost of unemployment in 1984–85 at £14.5bn.

Why Unemployment?; £3; Adam Smith Institute, PO Box 316, London SW1.

Accounting data 'may be inhibiting progress'

BY GEORGE GRAHAM

INADEQUATE ACCOUNTING systems may be inhibiting UK companies from investing in advanced flexible manufacturing systems by placing too much emphasis on labour costs, according to Peat Marwick, the accounting firm.

Peat Marwick is sponsoring a research project to develop new accounting systems for appraising capital investments, in collaboration with Templeton College, Oxford, and the Science and Engineering Research Council.

Mr Michael Jeans, a Peat Marwick partner, said: "Traditional methods of cost classification, capital investment appraisal and cost control reporting do not appear to be appropriate to modern manufacturing systems."

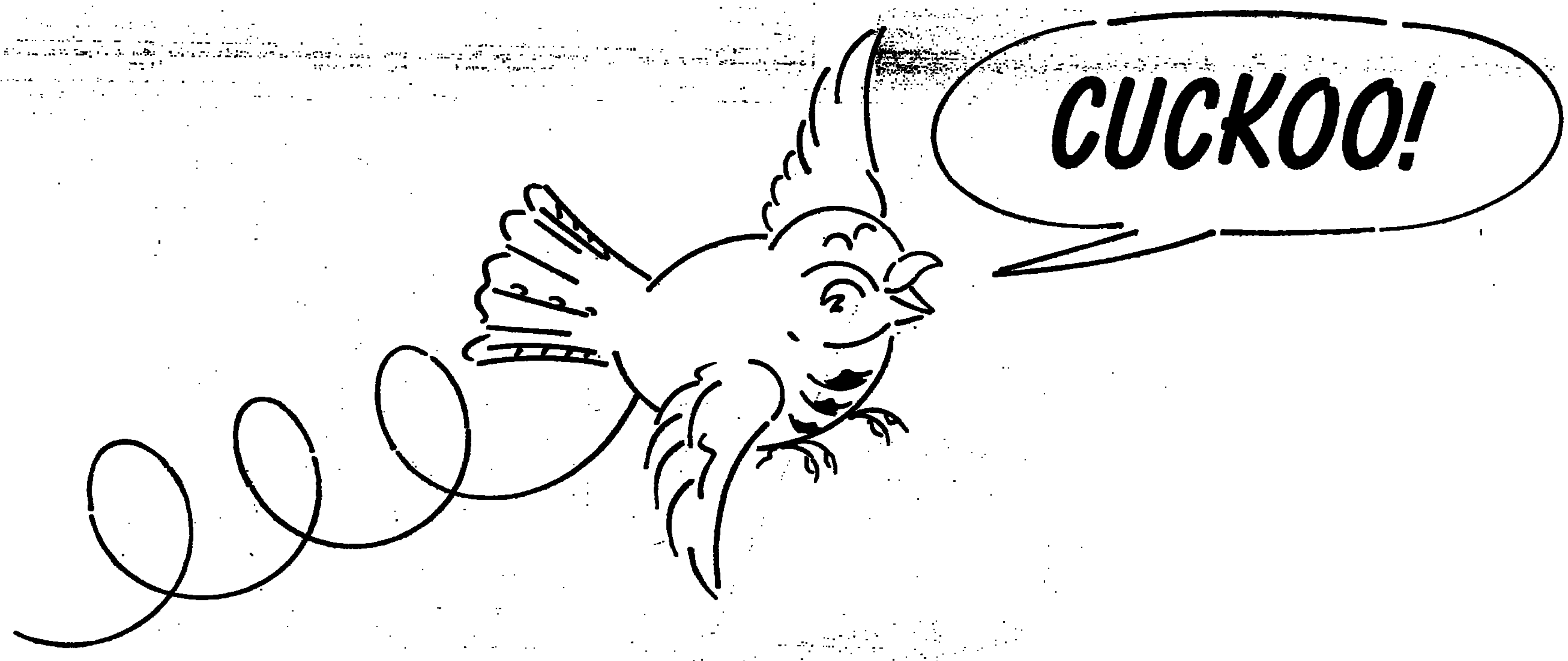
Most cost accounting systems date from earlier decades and cost production on the basis of the labour time required. Direct labour costs and real material costs are allocated to a specific product. This may, however, prove to be a mistake when the major expense is the cost of capital equipment. Costs have to be recovered by keeping the equipment running.

In addition, flexible manufacturing systems – used in the electronics industry and in the automotive industry at companies such as BL and Volvo – are able to produce short runs of different products.

It is, therefore, difficult to allocate the overall capital cost to individual products. The direct production cost of a component may fall, but the total cost may rise because a wider product range is being maintained.

Mr Michael Earl of Templeton College, who will lead the project, said: "Engineers and production executives are starting to see that they need different accounting data, and they have ideas of what it should look like. Accountants do not. They don't see that there is a different set of problems." The research project is expected to run for three years.

What do you call a bird who relies on others to build its nest?



Behold the cuckoo.

Not for him the skills of nest-building. He prefers to fly around, his beady eyes on the lookout for a ready-built home he can squat in.

We've just heard the cry of the first cuckoo of autumn.

Guinness Peat want Britannia Arrow.

Their attempts at nest-building haven't exactly been a runaway success. Check the records for yourself.

Britannia Arrow, on the other hand, have proved to be rather good at it. Pre-tax profits have risen from £1.5 million in 1979 to £14.1 million in 1984 – and for the first six months of 1985 we've already exceeded £10 million.

And in the same period our total funds under management rose from £200 million to £4,800 million.

Shareholders' earnings and dividends over the same period have more than trebled.

Merchant bankers Singer & Friedlander Ltd. last year earned nearly 2½ times* as much as their own merchant bank, Guinness Mahon.

Our building philosophy is simple: concentrate our efforts on those areas of business we know best.

We're made up of four core businesses, each of them successful.

Guinness Peat, however, has interests all over the place. No wonder they want to squat in our well-structured group and reap the benefits of our handsome profits.

Just like the cuckoo.

They might need us. But do we need them?

Sorry, Guinness Peat, but our shareholders have you twigged.

Britannia Arrow

*Guinness Peat Group plc – Banking pre-tax profits for year ended 30th September 1984 £3.7 million. Britannia Arrow Holdings plc – Singer & Friedlander Ltd · pre-tax profits for year ended 31st December 1984 £9.1 million

Fly away, Guinness Peat.

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BASE LENDING RATES

ABN Bank	11½%	■ Guinness Mahon	11½%
Allied Dunbar & Co.	11½%	■ Hambros Bank	11½%
Allied Irish Bank	11½%	Heritable & Gen. Trust	11½%
American Express Bk.	11½%	■ Hill Samuel	§11½%
Henry Ansbacher	11½%	C. Hoare & Co.	11½%
Amro Bank	11½%	Honkong & Shanghai	11½%
Associates Cap. Corp.	12 %	Johnson Matthey Bkrs.	11½%
Banco de Bilbao	11½%	Knowsley & Co. Ltd.	12 %
Bank Hapoalim	11½%	Lloyds Bank	11½%
Bank Leumi (UK)	11½%	Edward Manson & Co.	12½%
BCCI	11½%	Meghraj & Sons Ltd.	11½%
Bank of Ireland	11½%	Midland Bank	11½%
Bank of Cyprus	11½%	■ Morgan Grenfell	11½%
Bank of India	11½%	Mount Credit Corp. Ltd.	11½%
Bank of Scotland	11½%	National Bk. of Kuwait	11½%
Banque Belge Ltd.	11½%	National Giro Bank	11½%
Barclays Bank	11½%	National Westminster	11½%
Beneficial Trust Ltd.	12½%	Northern Bank Ltd.	11½%
Brit. Bank of Mid East	[illegible]	Norwich Gen. Trust	11½%
■ Brown Shipley	11½%	People's Trust	12½%
CL Bank Nederland	11½%	PK Finans. Intl. (UK)	12 %
Canada Permanent	11½%	Provincial Trust Ltd.	12½%
Cayzer Ltd.	11½%	R. Raphael & Sons	11½%
Cedar Holdings	12 %	Roxburghe Guarantee	12 %
■ Charterhouse Japhet	11½%	Royal Bank of Scotland	11½%
Choulartons**		Royal Trust Co. Canada	11½%
Citibank NA	11½%	Standard Chartered	‖11½%
Citibank Savings	¶12½%	TCB	11½%
City Merchants Bank	11½%	Trustee Savings Bank	11½%
Clydesdale Bank	11½%	United Bank of Kuwait	11½%
C. E. Coates & Co. Ltd.	12 %	United Mizrahi Bank	11½%
Comm. Bk. N. East	11½%	Westpac Banking Corp.	11½%
Consolidated Credits	11½%	Whiteaway Laidlaw	12 %
Continental Trust Ltd.	11½%	Yorkshire Bank	11½%
Co-operative Bank	*11½%		
The Cyprus Popular Bk.	11½%		
Duncan Lawrie	11½%		
E. T. Trust	12 %		
Exeter Trust Ltd.	12 %		
Financial & Gen. Sec.	11½%		
First Nat. Fin. Corp.	12½%		
First Nat. Sec. Ltd.	12½%		
■ Robert Fleming & Co.	11½%		
Robert Fraser & Ptrs.	12½%		
Grindlays Bank	‡11½%		

■ Members of the Accepting Houses Committee.
* 7-day deposits 8.00%. 1-month 8.50%. Top Tier—£2,500+ at 3 months notice 11.25%. At call when £10,000+ remains deposited.
‡ Call deposits £1,000 and over 8.00% gross.
‖ 21-day deposits over £1,000 9.25%.
¶ Mortgage base rate.
** See Provincial Trust Ltd.
§ Demand dep. 8%. Mortgage 13%.

THE WEEK IN THE COURTS

One man's win over the big guns

IN THE WORLD of business, as in the world of boxing, a good big 'un almost invariably beats a good little 'un. When, as sometimes happens, the good little 'un wins, he may pay, or may have already paid, a very heavy price for his victory.

Mr Stanley Adams is not yet a household name. He may never achieve that eminence. But, between February 25, 1973 and November 7, 1985, his life has been the stuff of which high drama is made.

He is a remarkably good little 'un who, during that period took part directly or indirectly in fights against two celebrated good big 'uns. One is Hoffmann-La-Roche, the Swiss pharmaceutical company, and an organisation not unknown to consumers of vitamins. The other is the European Commission, a body not unfamiliar to devotees of commercial law.

The fight against Hoffmann-La-Roche arose out of its alleged infringement of various rules of EEC law, such as article 3, 85 and 86 of the Treaty of Rome, designed to promote and protect competition within the Community.

The contest against the commission sprang from its officials' alleged contravention of Article 214 of the treaty, in that they were alleged to have discussed or disclosed information of the kind covered by the requirements of professional secrecy.

The fight against Hoffmann-La Roche reached a climax when the European Court of Justice ruled against its claims in *case 85/76 Hoffmann-La Roche and Co Ag v EC Commission, 1979 3 CMLR 211 1979 ECR 461.*

The contest against the commission reached a climax last week, on November 7, when the same court upheld, to some extent, Mr Adams's claim against it in *case 145/83 Adams v. Commission of the European Communities*, The Times European Law Report, November 8 1985.

On February 25 1973, while still employed by Hoffmann-Lt Roche, Mr Adams wrote a letter to the commission which contained information about the employer's price-fixing practices.

At the end of his letter, he wrote: "I request you not to let my name be connected with this matter. However, I remain at your entire disposal for further information as well as documentary evidence which I have raised in this letter."

Later, he sent the commission photocopies of various Hoffmann-La Roche internal documents.

As a result, the commission investigated Hoffmann - La Roche's business activities.

After these investigations, the commission ruled that Hoffmann-La Roche had infringed the provisions of EEC law by abusing its dominant position in seven vitamin markets within the EEC. It ordered the termination of this infringement and imposed a fine.

Hoffmann-La Roche, in turn, brought proceedings in the European Court of Justice for annulment of the commission's decision. The court varied the commission's decision in two respects.

It decided that Hoffmann-La Roche's breaches of EEC law occurred not in seven but in six markets. It also reduced the fine. Otherwise, it upheld the commission's rulings and rejected Hoffmann-La Roche's claims.

At the relevant time, Hoffmann-La Roche was making eight groups of vitamins. The court ruled against the arrangements for the sale of six of those groups — the arrangements for each group constituting or resulting in a separate market.

The court decided that, in each of those six markets, Hoffmann-La Roche abused its dominant position by making contracts with various large purchasers whose terms were incompatible with the EEC treaty's objective of undistorted competition in the Community.

Under those contracts, the purchasers had agreed to satisfy their requirements for vitamins by obtaining all or most of them from Hoffmann-La Roche, in return for a discount classified as a fidelity rebate.

According to the court, those terms were designed to eliminate or restrict each contracting purchaser's possible choices of sources of supply, and to deny other vitamin producers access to the relevant vitamin markets.

The court ruled that Hoffmann-La Roche had intentionally pursued a commercial policy designed to bar new competitors from access to those markets.

At the end of October, 1973, Mr Adams ceased to be an employee of Hoffmann-La Roche. He and his family settled in Italy but on one occasion when he went to Switzerland, on December 31, 1974, he was arrested by the Swiss police. On January 1, 1975, he was charged with economic espionage, contrary to Article 273 of the Swiss penal code.

He remained in custody until March 21, 1975, when he was released on bail. While in custody he was held in solitary confinement and was forbidden to communicate with his family. The Swiss police interrogated his wife. On January 10, 1975, she committed suicide.

On July 1, 1976, a criminal court in Basle found him guilty of offences against two articles of the Swiss penal code and sentenced him to one year's imprisonment, suspended.

On July 18, 1983, Mr Adams brought proceedings against the commission. He claimed compensation for damage which, he alleged, was the result of the commission's wrongful acts or omissions.

The commission, on various occasions, had disclosed to Hoffmann-La Roche, or its representative, information and documents making it possible to identify Mr Stanley Adams as the source of information, leading the commission to impose a fine on Hoffmann-La Roche.

The judges of the European Court of Justice decided that the commission was under a duty to keep Mr Adams's identity secret, even after he had left his job at Hoffmann-La Roche.

The commission was also, according to the judges, under a duty to notify Mr Adams of its discussions with the representative of Hoffmann-La Roche—a lawyer acting for the company. Its duty was to pass on to Mr Adams information available from those discussions which would enable him to make his own arrangements for coping with the situation.

The essence of those discussions was a proposal that, if the commission revealed Mr Adams's identity to Hoffmann-La Roche, he would not be prosecuted under the Swiss penal code but that, if the commission refused to disclose the identity of the information, he would be prosecuted when discovered. Without having tried to trace Mr Adams or warn him of the situation, the commission decided not to divulge his name or identity to Hoffmann-La Roche, although it handed over to the company documents from which his name and identity could be ascertained.

The judges of the European court rejected an argument that Mr Adams's claim was barred by lapse of time, but decided that he was not entitled to be compensated for the full extent of his loss. He had contributed significantly, by his own negligence, to the damage which he had suffered.

He had failed to tell the commission that his identity as informant could be inferred from the documents which he had entrusted in photocopies to the commission. He had not asked the commission to keep him informed of any use which might be made of those documents in its investigations. He had returned to Switzerland without having made any appropriate inquiries.

His compensation would be halved, therefore.

Even so, the good little 'un has, to some extent, triumphed over the good big 'un.

Mr Adams's likely compensation is reported to be astronomic. Also he is reported to have hoped that the court's decision will encourage others to follow his example of reporting to the commission abuses and illegalities alleged to have been committed by corporations.

There is a public interest in maintaining confidentiality. There is a countervailing public interest in exposing and investigating conduct which involves a breach of the law, or is otherwise anti-social, and in investigating and exposing activites which, though not in breach of the law, are seriously contrary to the public interest. This may necessitate a duty to preserve anonymity of informants and take other steps to protect their interests.

If a comparable situation were to occur in England, would the courts here give Mr Adams as favourable treatment as did the European Court of Justice? Is he the first of many stars in a new constellation? Or, in the universe of big business, does he blaze the rare trail of a Halley's comet?

Justinian

INSURANCE

Lloyd's moves to regulate its brokers

BY JOHN MOORE, CITY CORRESPONDENT

THE REFORM programme of the Lloyd's insurance market is entering a delicate phase. In the next year the market's authorities will draw up proposals for regulation of the market's 260 insurance brokers.

Since the reforms began, the brokers, who must be approved by the Lloyd's authorities and who produce nearly £3bn of premium income, have been forced to sever their shareholding links with agency companies which manage the affairs of the 26,050 Lloyd's underwriting members.

This was required under the Lloyd's Act of 1982 which Lloyd's promoted to reform its self-regulation. Parliament insisted that brokers end their interests in the agency companies because of conflicts of interest between the functions of brokers buying insurance for clients and the managing agency companies of Lloyd's syndicates, formed of Lloyd's members, which sell insurance.

The brokers were given until July 1987 to sever their links. Two thirds of the agency companies affected have done so.

Lloyd's has yet to decide the extent of its jurisdiction over brokers who bring business to the market and what type of regulation is appropriate.

Earlier this year, Mr Murray Lawrence, a deputy chairman of Lloyd's, said the market's approved brokers should either be regulated by Lloyd's or an existing body or one formed under investor protection reforms planned by the Government.

He said if the brokers were to be regulated by some other body "it is difficult to see how the title Lloyd's broker could be retained and the effect of this would therefore be to do away with that title."

The other big problem for Lloyd's is deciding over what areas its regulatory powers can extend. Many of the Lloyd's brokers operating in the market are subsidiary companies of non-Lloyd's broking parent companies or are part of other non-Lloyd's concerns. As a part of one of these groups a Lloyd's broking subsidiary may trade with a non-Lloyd's sister company.

When troubles surrounding Alexander Howden and Minet Holdings, two large broking groups, surfaced in 1982 the authorities of Lloyd's were uncertain to what extent they could intervene as the alleged irregularities involved a range of non-Lloyd's interests of the two groups and other outside related interests.

So Lloyd's will try to draw up rules and procedures flexible enough to allow room for manoeuvre in disciplinary action. A code of conduct is expected to be created.

Lloyd's will also consider whether brokers should be required to reregister with the market's authorities at periods of, say, every five years to ensure that they satisfy criteria of suitability and expertise.

Lloyd's will also examine whether it should take steps to discourage reliance by underwriters on the services of brokers in the settlement of claims. Five years ago a working party recommended that brokers should continue to play a full part in the settlement of claims on behalf of assureds.

Lloyd's brokers have traditionally carried out a range of services for underwriters because their back-office systems have often been more sophisticated than those of the underwriters. However the working party feared conflicts of interest could develop if a broker acted as the agent of the underwriter in the payment of a claim without first obtaining the assent of his client, the assured. Lloyd's is likely to bring in a range of disclosure requirements for the broking community.

Lloyd's will also consider ownership of brokers. There is a rule which prevents non-Lloyd's insurance interests from taking more than 20 per cent in Lloyd's brokers. The rule has been relaxed over the years, most notably when US insurance brokers were allowed to take over fully several large Lloyd's insurance brokers.

Lloyd's is still likely to insist that any takeover or merger of a Lloyd's broker will require approval of the Lloyd's ruling council.

Contracts & Tenders

CONSTRUCTION CONTRACTS

Carroll places £20m work with Balfour

The property division of the London-based Carroll Group has signed building contracts worth over £20m with **BALFOUR BEATTY** for construction and civil engineering works on three major schemes at Colchester, Wandsworth and Wickford, Essex.

The largest of the three projects relates to a design and build contract for a 300,000 sq ft retail centre at Colchester, Essex, which is due for completion in October 1987.

A substantial civil engineering contract for about a mile of roadworks is underway on Carroll's 100 acre business and community park project at Wickford, and Balfour's civil engineering company will shortly be commencing a specialised land reclamation contract for Carrolls on its inner city 11 acre business park development on the derelict Wandsworth Gas Works site.

A spokesman from Balfour Beatty stated that it is pleased that a strong working relationship has been cemented with the board of the Carroll Group which could lead to a future involvement with Carroll's large property development programme.

McAlpine companies office and pipe work

WHATLINGS (BUILDING), part of the Alfred McAlpine construction division, has been awarded two contracts worth over £2.62m for building work in Sctoland. The first, worth £1.88m and awarded by the British Airports Authority, involves the construction of the International Facilities Building at Glasgow Airport. The two-storey building will have a structural steel frame and will tie in with the existing building. Facilities will include an enlarged departure lounge, baggage reclaim hall and duty/tax free shops. The second worth almost £700,000, was awarded by the Irvine Development Corporation, Ayrshire, for the construction of a high amenity advanced factory at the Oldhall Industrial Estate, Irvine. The one-storey building will have a steel frame with metal cladding.

McAlpine has three contracts totalling over £714,000 for work in Wales and Cheshire.

McInerney (Civil Engineering) in joint venture with Alfred McAlpine Services and Pipelines has been awarded a contract worth I£200,000 for pipeline work in Co. Tipperary. The contract, awarded by Bord Gas Eirean (The Irish Gas Board), involves the construction of 3km of 100mm diameter welded steel gas pipeline and includes crossing the River Suir. Completion is scheduled for spring 1986.

*

WILTSHIER SCOTLAND has been awarded a £688,000 contract by Rutherglen Housing Association to rehabilitate four closes. The closes are at 254, 260, 266 and 268 Main Street, Rutherglen. The project is due for completion at the beginning of August.

W. S. Atkins to have £9m new offices at Epsom

Work has started on a 9,400 sq m office development for international consultants W. S. Atkins in Ashley Road, Epsom. **HIGGS AND HILL BUILDING** has won the contract worth about £9m. A glazed atrium reception area with two landscaped courtyards will be the highlight of the building which is to be called Sir William Atkins House as a tribute to the founder of the company and its honorary president. Work is scheduled to be completed in 1987 on the eve of the consultancy's 50th anniversary.

Heathrow Airport projects

TAYLOR WOODROW MANAGEMENT CONTRACTING has been awarded two contracts worth a total of £3.5m in relation to British Airways' occupation of Terminal 4 at London's Heathrow Airport. The first, worth £2.5m, was awarded by British Airways and is for the fitting out of the APV (Apron Passenger Vehicle) building on the south east pier of Terminal 4. The work entails the fitting out of CIP or executive lounges including one probably for the exclusive use of Concorde passengers, and the Oasis Lounge for Middle Eastern travellers. Other facilities include a catering area containing a bar and kitchen for hot food, plus offices and facilities for British Airways staff.

The second, awarded by the British Airports Authority and worth £1m is for the design and construction management of a new two-storey 975 sq m (10,000 sq ft) ramp accommodation block adjacent to the APV building for use by British Airways. The work entails the excavation of the concrete apron immediately below the building and the construction of the 8 m (26 ft) high block. The building will be used by the British Airways' team who "turn around" the aircraft. Facilities include locker rooms with toilet and showers for staff, plus store rooms for supplies to service the aircraft. Both projects will be complete by early spring 1986 in itme for th commencement of services from Terminal 4.

ASDA store in Preston

ALLEN BUILDING, Wigan, has won projects worth over £3m. Included is a fitting-out contract for ASDA at a new store in Fishergate, Preston, at over £1m, the construction of a bespoke high-technology unit at Wavertree Technology Park, Liverpool, for a client of English Estates, valued at £1.2m, a school refurbishment project for the Metropolitan Borough of Knowsley at over £280,000 and, at over £250,000, the conversion of an existing Wigan garage to office accommodation.

Fairclough builds sewer tunnels

Northumbrian Water has awarded a £2.8m contract to **FAIRCLOUGH CIVIL ENGINEERING'S** tunnelling division to build a 1.7km-long sewer through Whitley Bay to Seaton Valley. Another phase in the authority's project to clean up local beaches and the River Tyne, this is the first of six contracts to be let over the next four years. It is part of a plan to construct a new sewer system together with pumping stations to divert the raw sewage, presently flowing to sea, to the main treatment plant at Howdon. Completion is scheduled for early 1987. When the new scheme is commissioned, at the end of the 1980s, it will serve a population of around 100,000.

*

FAIRCLOUGH CIVIL ENGINEERING'S tunnelling division has also landed itself a challenging pipelaying task. On a £1.3m contract from North West Water, the division is to construct 14 km (9 miles) sludge main for carrying waste to a Liverpool dockside terminal. Care will be essential in surveying and trenching the Widnes to Warrington route, which is rich in above and below-ground services, among them many industrial pipelines. The route also runs in the highway and across wasteland with a high water table and includes four tidal river crossings, two rail crossings, and crossings of a power station, chemical complex and brewery. The central section of the Warrington sludge main, the 400 mm-diameter sewer will be construction in ductile iron in opencut trenching. Fairclough plans to complete the project towards the end of 1986. When the main is finished it will carry sludge to a storage terminal and treatment works being built by North West Water on Liverpool's waterfront in a disused dock. From there sludge ships will take the material for dumping in the Irish Sea. It will mean the vessels will not have to use the Manchester Ship Canal. Fairclough is part of AMEC.

*

A £1.3m contract for an outfall sewer at Newton Mearns has been awarded to **FAIRCLOUGH SCOTLAND** by Strathclyde Regional Council. Part of the council's programme for modernising sewerage and treatment facilities, the outfall will pass the sewage works at Newton Mearns, which will be abandoned. The outfall will direct flow from the existing works inlet to the south Glasgow sewerage system and thence to the new Shieldhall sewage treatment works, also built by Fairclough. In addition, the company will demolish most of the Newton Mearns works and landscape the ground. The project is scheduled for completion in about 14 months.

*

Contracts worth around £2.7m have been awarded to **JOHN LAING CONSTRUCTION**. At Edgware General Hospital, Middlesex, Laing is building a two-storey pathology block under a £1.5m contract for the North West Thames Regional Health Authority. The block will link to the existing facility.

At Oxford a part two, part three-storey teaching block and biotechnology laboratory is being built at Oxford Polytechnic for Oxfordshire County Council. Work on the £1.2m contract involves the construction of an insitu reinforced concrete frame building clad with facing brick and part timber boarded cladding with the inner leaf of blockwork.

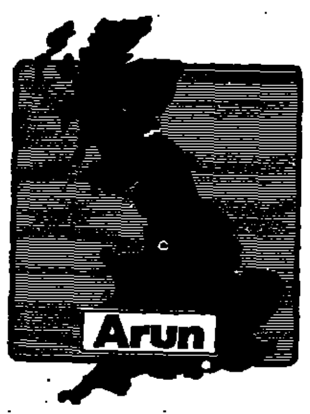
FT REGIONAL REPORT

ARUN
WEST SUSSEX

Conflict over growth

Flourishing businesses contrast sharply with the rural calm of the district, a calm disturbed by dissent over further growth

AROUND BRITAIN



Regional report by ALASTAIR GUILD

THE NORMALLY tranquil atmosphere of West Sussex is split with dissent.

The county's structure plan, currently under public examination, is the focal point for the dissenters, which include Arun *District Council, the Federation* of Sussex Industries and a grouping of local businesses called Planning for Economic Prosperity. They are critical of what they see as unnecessary proposed constraints, curtailing the economic development and promotion of the region.

Arun, *is* an area of some 85 sq miles east of Chichester and west of Worthing with 14 miles of coast, and a population of some 125,000. It contains some of the richest farmland in the country, and was historically a major agricultural employer. The land now provides only about 5 per cent of jobs but horticulture is an important and growing element in the economy.

The district is anxious to build on its strong electronics base, which since 1981 has been the fastest growing sector. A strong attraction to companies *has* been the *pleasant* environment. The district also plans to make more of the area's tourism potential and promote the conference market.

Several household names are based in Arun including Butlin's Holidays, and Lec Refrigeration. The Body Shop International, *will soon be moving to a* purpose-built head office distri*bution centre* in Littlehampton.

Poor road communications, which may have been partly responsible for hampering development will be improved, and the district council has produced a strategy for the expansion of shipping through Littlehampton harbour.

But the tight rein on release of land for housing, light manufacturing and offices in the structure plan is seen by the district council as weakening Arun's attraction.

"The county council is still locked into traditional Tory shire policies. Our approach is *more akin to current* government thinking," says Mr John Midgley, Arun District Council chief executive.

"We see the need for greater relaxation of development controls. Land and house prices *are escalating beyond the reach* of first-time buyers because of the tight rein on the release of land for housing."

The district council says the county has underestimated the next 10 years' housing requirement. Arun is proposing an additional 1,900 homes to avoid frustrating *its strategies, par*ticularly promotion of economic development.

Mr George Millar, director-general of the Federation of Sussex Industries, says some industrial employers in Bognor are bringing staff in from neighbouring Hampshire, partly because *of* the *lack of cheaper* housing.

But Mr Peter Bryant, West Sussex planning officer says: "The county council shares the district's concern about the adequacy of employment opportunities. We are anxious to ensure that there is adequate land for industry and commerce.

"However, we believe our *structure plan provision is suf*ficient."

An extra 1,900 houses on top of the 6,000 in the pipeline could exacerbate the employment problem, he says. "We have doubts about finding jobs for the existing population."

The county and district have shown nevertheless they are not beyond co-operation. They reached agreement with developers on the use of a former airfield to provide industrial sites, including some for small business units.

The district council has set up a business support unit to introduce developers and businesses to landowners willing to *sell and to advise them on plan*ning difficulties.

The unit *publishes a property* register and fact sheets on investment opportunities.

Last year, the unit financed construction of five small workshop units at a total cost of £100,000 on land owned by the council. The demand for such units, on short term leases, *is growing.*

The council is also seeking to put together parcels of land on special terms. Arun Business Park, with small industrial units provided by local developer Snelling Developments, is on land partly owned by the county council and partly by the district.

The structure plan sets aside 27 hectares in Arun for manufacturing and service industry. The district says this should be a minimum. "Our drive is not just to bring in new employment but to keep what we have got," Mr Midgley says.

The area is faced with a growing shortage of employment as Arun's workforce is expected to grow by *10 per cent from 45,700* to 50,000 by 1991.

Unemployment is 11.5 per cent, with 35 per cent of the registered jobless aged 24 or less. A large number of registered unemployed have left employment early, and "retired" to the area.

The seaside and retirement element has always been important to Arun's economy. Mr Midgley does not see caring for the elderly as a problem but as "an opportunity for wealth and job creation."

"The *one-third of the popula*tion which is retired provide *jobs not just* for the nurses and people who run properties where the elderly live, but work for those who support the people who look after the elderly," he says.

However, the district council would like to attract more office jobs to help create a more balanced economy and age profile. Some 30 per cent of job enquiries are in the clerical sector. The structure plan allocates 56,000 sq metres for office development in Arun, a figure which the district again says *should* be merely the starting point.

Poor *communications with* London and shortage of suitable housing, however, might deter big companies.

But the district council owns sites which it believes might suit smaller office development.

Road links could soon improve, with an Arundel bypass planned and gradual upgrading of the A27.

Some high-tech companies moving into Bognor Regis have also been unable to find the skilled workers they need. So the council aims to strengthen links with local schools and *colleges of technology to keep* up to date with manpower requirements.

The potential for further employment in horticulture, seems good.

The West Sussex Growers Association says there may be a restructuring of employment in the next few years leading to a higher proportion of full-time workers.

The district council is keen *to enhance tourism. A study* by McAlpine, Thorpe and Warrier to highlight openings for private investment says that tourism investment could be more valuable in economic and employment terms than most commercial or industrial development.

Options for major investment include water-based leisure *activities.*

Arun's main holiday catchment area is Greater London and the wider south-east region. But the district is largely at the high-volume, low-margin end of the market and without new markets, attractions and accommodation there is little *scope for increasing income,* the study says.

It recommends greater emphasis on short-break and *activity* holidays, coach tours and trips, small conferences, seminars and conventions, day visits and boating.

The Tourism in Arun group, which represents a number of the hoteliers and attractions in the area, sees increasing need for more bed space, *with perhaps a hotel* development of 60 to 80 rooms.

Pictures: Trevor Humphries

Littlehampton Marina on the River Arun. Plans for the harbour and river aim for more trade and leisure activity

WEIR ELECTRONICS

The power of proximity

WEIR ELECTRONICS is the second *largest industrial* employer in Bognor Regis, with a *staff of 515.* It recently acquired three further factory units on the Durban Park Industrial Estate to allow for predicted growth.

The company makes a range of power supplies and monitors *for the electronics industry.* Last year it had a turnover of £9.1m, an increase of £800,000 on the previous year. It plans to increase turnover to £11m by next year, with 30 per cent of output for export.

Over the next four years. Weir is projecting an annual growth rate of *about* 20 per cent. It plans to invest £3m in *new plant* and increase its workforce by more than 300.

The main customer for power supplies is the computer and telecommunications industry. One product, for instance, goes into Monarch automatic telephone switchboard systems, and another into automatic typesetting equipment. The display division makes monitors and visual display units, supplying *British Telecom's City Business* Systems, for example.

Monitors are a relatively new market area, but over four years, the division expects to increase annual turnover by 25 per cent.

Growth is predicted by improving UK market share and *increasing penetration of EEC* and North American markets with markets for power supplies there also likely to grow by 30 per cent annually.

"We supply a range of standard, rather than customer-dedicated products so we can be competitive," says Mr Mike Burgan, Weir's financial controller. He believes that eventually the Japanese will set up a UK plant for the manufacture of similar types of products.

"But against present Japanese and Far Eastern competition, Weir offers proximity to the market and better engineering support."

These countries already hold major UK market shares at the lower end of the power range (15 to 50 watts) *whereas* Weir's principal markets are in the 50 to 500 watt range.

The company has been in Bognor since 1964 when it employed fewer than 50 people and occupied 6,000 sq ft. In 1967 it was taken over by the Unitech Group, which now has sales exceeding £200m.

LITTLEHAMPTON HARBOUR

Aim for discreet expansion

PLANS are being drawn up to *make more of* the commercial, tourism and leisure potential of Littlehampton Harbour. The harbour has a history of vigorous trade dating from the early 19th century, but today it is dominated by sea dredged aggregates.

A research paper for Arun District Council suggests "positive action to secure a future for the harbour."

"Doing nothing when the existence of the harbour is reliant on one cargo and the *harbour has a legacy of inade*quate maintenance and major repairs is a recipe for long-term failure and could lead to a high cost for Arun," it says.

The council's Business Support Unit should provide promotion and marketing in the short term and if this proves successful, commercial agents should be appointed.

"The Littlehampton Harbour Board management will need to ensure that the requirements of pilotage, harbour safety, commercial *development* and financial performance are balanced and met and that there is adequate forward planning.

"However, it is difficult to see how a strategy of rapid growth could be tenable. There are no wharves on the market which could be developed by *the board and the prospects for* increased commercial traffic are not firm enough to warrant the scale of investment involved."

The study recommends instead "a discreet growth strategy." This highlights three zones of the River Arun along its east bank:

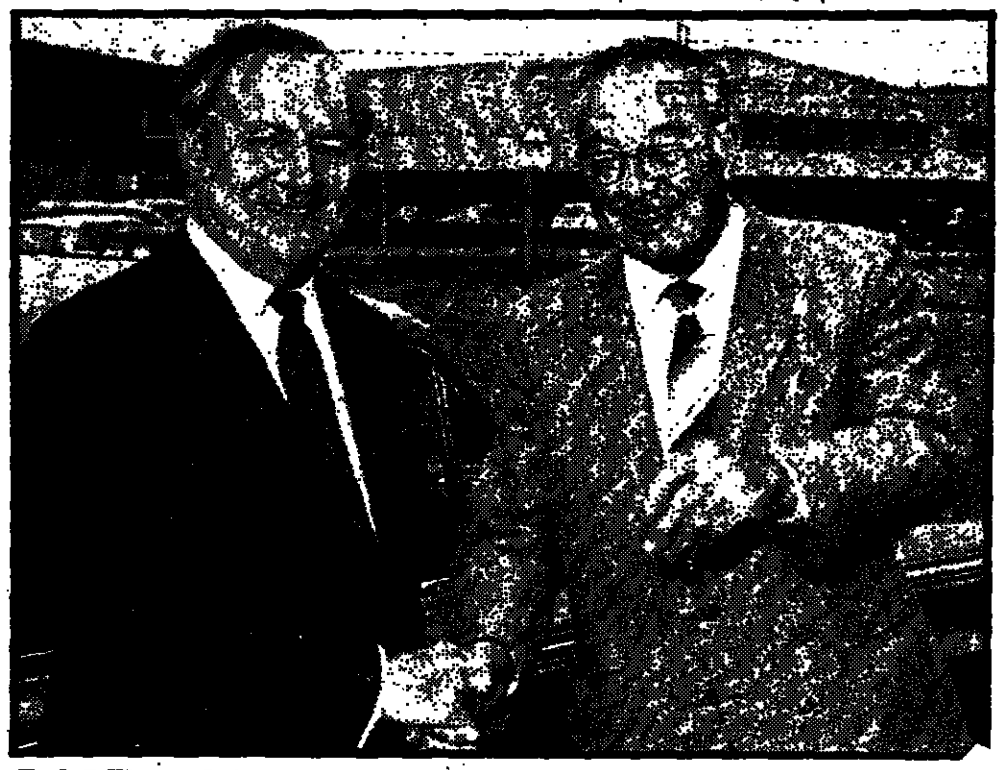
- A leisure/amenity area from the river mouth to Fisherman's Quay, with County Wharf as a secondary berthing area.
- Further up the river an area of private commercial use, possibly river related, but providing riverfront access to the public.
- Another area of business/commercial activity under the harbour board.

It is also part of the council's *general* policy to exploit the potential of the River Arun on *its west bank, emphasising the* attractiveness of the sand dunes and beach at the river's mouth, with river-related industrial and leisure activities stretching north.

The harbour could accommodate more boats, and tidal basins on the west bank are underused. Development of new moorings is favoured.

A site is available for development, owned partly by the district council and partly by the neighbouring shipyard.

The council has published a development strategy for Littlehampton Harbour which includes an analysis of suggested schemes for all the riverfront land within the harbour.



Earl Jellicoe, chairman of the British Overseas Trade Board (left), met the founder and chairman of Lec Refrigeration, Mr Charles Purley last month at the factory

LEC REFRIGERATION

Hot climate in cold market

THE UK market for refrigera*tors and freezers* reached a peak of 2.5m last year, rising from 1.9m units in the late 1970s. During that time the share taken by Lec Refrigeration, a Bognor-based company has increased from 14 per cent *to 21 per cent.*

The greatest demand has been for fridge-freezers, although single-door refrigerator demand has also continued to be strong. The latest models launched by LEC, the T424 and T454, have a *fridge on top* and freezer below.

The company's net profit margins on sales were 5 per cent last year, from a 10 per cent record in 1983. "We have had to be intensely competitive," says Mr Don Durrant, Lec's joint managing director. But *the factory* has worked at *full* capacity since 1979 and is employing more people.

Its main competitors in the UK market are Italians, though the UK industry has managed to reduce the penetration of imported fridge-freezers. Imports have fallen from 69 per cent of the market in 1983 to 40 per cent. However, this has made foreign competitors the more determined to regain lost ground, Mr Durrant says.

Extension

The company is also facing stiff competition in export markets, particularly from Yugoslavia, Italy and South Korea. Five to 7 per cent of Lec's production is exported. It used to *do good business supplying* units for Australian motels, but *that came to an abrupt* halt when Australia introduced 45 per cent duty on imports from most countries, and offered "developing nations" such as Yugslavia a preferential 25 per cent.

Lec has maintained its competitiveness partly by making more of the product in-house than any other UK producer. For instance, it has its own foundry, casting 75 tonnes of iron each week for the motor body, crankshafts and valve plates.

It has built a factory on the Bognor site which next year will form a 25,000 sq ft extension to its fridge-freezer producton line.

"Our production is fairly labour intensive, though we automate where it is going to *show satisfactory* advantages, for example in the supply of components to operators on production lines," Mr Durrant says.

As the production of a new compressor comes on stream, there will be a marginal increase in workforce, but numbers employed are not likely to *change dramatically* from the present level of about 1,900.

The company is headed by Mr Charles Purley, who founded it in 1940 in a workshop on the outskirts of Bognor Regis, and now has licensees as far afield as Tanzania, Guyana, India and Nigeria. "Developing countries see the need for the local production of appliances which are *relatively easy* to produce," says Mr Durrant.

*The company is now increas*ing its marketing in Germany and France. It has a factory in Calais.

Lec is *also diversifying.* Its special products division makes cabinets for environmental research and small laboratory cabinets and, in conjunction with BP, has developed solar-powered vaccine cabinets for hot climates. The division's annual sales turnover aproaches *£750,000.*

ARUN 2

HORTICULTURE

Food factories flourish under glass

THERE IS more to today's supermarket vegetable than meets the eye, with growers resorting to high technology and science for production and distribution.

The Glasshouse Crops Research Institute, based since 1954 near Littlehampton, is one of the world centres for the development of such techniques. The institute's location is no accident, as west Sussex accounts for 10 per cent of UK glasshouse production. There are 172 hectares under glass or plastic in the area, with 5,000 people employed in horticulture.

Growers have long been attracted by its equitable climate, above average sunshine, and ideal soils—mainly brick-earths and loams. Another attraction is proximity to the fruit and vegetable markets of London.

Alternatives

Production is increasingly destined for the nation's multiple stores, which now take 40 per cent of UK glasshouse salad crops. These outlets, in turn, demand greater quality and consistency.

To help meet these requirements, the institute has been breeding varieties of tomato resistant to disease and ripening disorders. It has also conducted biochemical studies to improve understanding of flavour and the quality of soils.

It has also developed alternatives to soil. The majority of crops are now grown in peat bags, rockwool (a man-made fibre used to insulate roots), or use nutrient film.

The institute's work has led to considerable improvements in productivity. Tomato crop yields 15 years ago averaged 50 tonnes per acre: today they are 150 tonnes per acre.

The introduction of artificial substrates such as rockwool has helped extend the season. With the highest sunshine levels on the UK inland, a west Sussex glasshouse will produce a crop for nine to 10 months of the year.

Mr Derek Rudd-Jones, the institute director, says the most dramatic impact on productivity of protected crops has come from the enrichment of the atmosphere under glass during the summer with carbon dioxide.

"We thought extra gas would be wasted. We now realise that plants photosynthesise more efficiently during the summer so volumes of carbon dioxide fall and the plants will accept any extra injected into the atmosphere," he says.

This technique has increased productivity in the last two years by 5 to 10 per cent nationally.

Profit margins in the horticultural industry are never the less very small. "It is now a high-technology, high-investment industry. Some units use as much as 20 acres of glass. It is more like a factory process and unless producers make the necessary investment, they won't survive against imported produce," Mr Rudd-Jones says.

In the late 1970s the industry faced escalating oil costs, and most producers have switched to burning gas or coal. It now has to build up resources for capital investment in new glass to maintain productivity and quality, and is turning to computers for controlling the environment.

To help head off foreign competition, West Sussex growers have grouped themselves into a co-operative called Fargrow. It buys in bulk materials such as insecticides and peat and used to negotiate with oil companies before glasshouses switched to alternative fuels.

Co-operative

Growers have also formed groups for bulk marketing of tomatoes. Van Heyningen Brothers, the largest controlled environment tomato producer in the West, markets for smaller growers from its Littlehampton site after grading and packing. The Institute, in co-operation with Van Heyningen, Marks & Spencer and Sainsburys, is trying to improve pre-packs to extend shelf life.

"Such co-operatives give growers more clout," says Mr Donald Frampton, president of the West Sussex Growers Association. "Supermarket specifications are very tight.

"We also need to provide continuity of supply. The only way growers, especially small ones, can achieve this is by having produce graded and packed centrally.

"However, glasshouse producers are now involving themselves not just in co-ops but in entrepreneurial activities, for instance importing produce outside the UK season to satisfy year-round demand."

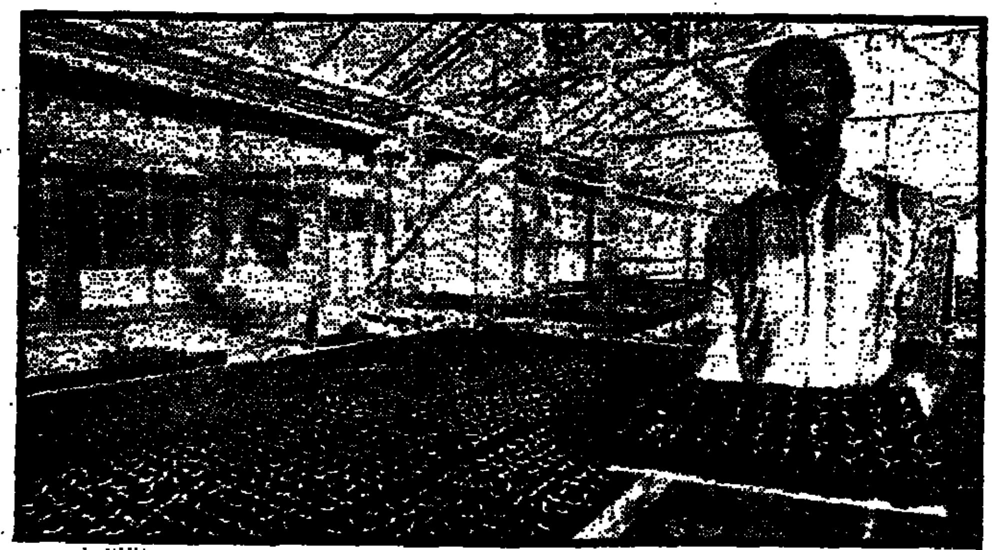
Attempts to develop export markets for West Sussex tomatoes have been fairly limited, but the potential for celery exports could be considerable. Using artificial lighting with critical temperature controls, the Institute has inhibited the flowering of celery during the spring.

The Siddlesham Growers, a co-operative, estimates that losses from flowering are equivalent to 12 per cent of its annual turnover of £2.5m. The new techniques have been so successful that the growers are supplying a German supermarket.

With celery being cut from January well into the spring, Mr Frampton is optimistic that his members can capture a much greater share of the £500,000 a year export market.

The Institute is marketing expertise through Agricultural Genetics, set up to exploit genetic developments within Agricultural and Food Research Centre institutes. AGC was formed by the British Technology Group with investment from companies like Ultramar and Ciba Geigy.

It is developing biological agents for the control of pests and disease, including a rice pest called the brown plant hopper. It also has a contract with government and EEC funding to improve the biodegradation of straw with the aim of reducing pollution from straw burning.



Two types of local factory. Lettuce propagation under glass (above) at the Crops Research Institute, and welding (below) at Arun Wire Products, both in Littlehampton

The market town of Arundel

WAYNE KERR

Cut-price computer attractions

THE OFFER for sale earlier this year of shares in Wayne Kerr was more than 10 times oversubscribed. The Bognor-based company, which came to the unlisted securities market with a capitalisation of £13.5m offered what one commentator described as "the chance to invest in electronics at a sensible price."

Wayne, a designer and manufacturer of automatic test equipment and instrumentation, was founded in 1946. It was later taken over by Wilmot Breeden, the engineering group which was in turn bought by Rockwell, the US group. In 1980, however, the Wayne Kerr management, led by its chairman and chief executive, Mr Alan Dennis, bought back the company from Rockwell, with help from Investment in Industry, now 3i, and Barclays.

Mr Dennis took the company away from a dependence on contract work, largely for British Telecom and the Ministry of Defence, to supplying a wide range of customers, including computer manufacturers and industrial users of electronics. Marketing companies were set up in West Germany and the US. Now 40 per cent of the company's income is derived from overseas sales.

Computer-aided design equipment is one of the smaller but rapidly developing sectors for the company, which has substantially increased its share of what has remained a fairly stable market. It bought a CAD company with an annual turnover of £150,000 and is now doing more than £1m of business each year.

Wayne's general aim is to produce cheaper systems. "We aim to provide 80 per cent of the capability for 20 per cent of the price of other systems," Mr Dennis says. "Our product is much more attractive to industry at a time when its costs are under pressure."

The company employs 280 people on the Bognor site, including 115 factory workers, and is spending £700,000 on 22,000 sq ft of additional manufacturing and development laboratory space. Some of the finance came from the float, with 3i offering to provide additional finance.

"Given the right sort of opportunity we would be interested in friendly acquisitions, but we need a period of settling down after the flotation," Mr Dennis says. The company is nevertheless prepared for growth and is looking at openings in the Far East.

Mr Dennis is pleased with company's location, but would like to see an improvement to the area's links into the motorway network. "Transport of our goods is not such a problem; it is more the movement of people and in particular overseas visitors to the company."

WEST SUSSEX AREA ENTERPRISE

Businesses club together

WEST SUSSEX Area Enterprise Centre, incorporated as a company in 1983, last year created or saved 130 jobs compared with 47 in 1983. Its director, Mr Len Crowhurst, is himself an example of the kind of client increasingly using the centre's services.

He was made redundant by Balfour Beatty and set up his own marketing consultancy, then a commercial and industrial property consultants. Last January he added business insurance to his string of partnerships.

"The biggest area we are trying to satisfy is the demand for advice from professional people who have been made redundant or taken early retirement. They do not necessarily want to follow their original profession but often want to convert an interest into a business," he says.

Inquiries are concentrated on sources of finance, accounting problems and the search for premises. Some 60 per cent are for start-ups.

"Business insurance is an area in which some people show complete ignorance. Of the three of our client businesses that failed during 1984, two failed through lack of proper insurance. We also find that many clients do not understand the difference between marketing and sales."

The need for better marketing advice and support prompted the formation of local business clubs, initiated by the centre with Worthing College of Technology, Crawley College of Technology and Arun District Council.

The clubs provide small businesses with the opportunity to promote products or services not only to other members but to other companies. Members have access to a detailed directory of members, products and services, circulated inside and outside the club.

"Organising exhibitions and shows is time-consuming and costly for many companies. Members can benefit from sharing stands at trade shows," Mr Crowhurst says.

The clubs also publish a monthly newsletter which can be used to advertise in, pass on information or as a means of sending out members' mailshots.

Once a business is established and shows potential for growth, it can join the Business Success Association, one of the first of its kind in the UK. This offers extra services such as special studies and in-depth assistance.

These include telephone "hot-lines" for immediate advice on any business problem or technical query; inter-trading instructions; notification of business award schemes and competition; and incoming telex services.

If problems arise outside the competence of the association, it brings in outside experts.

The service ranges from arbitration on disputes to business diversification and help with exporting.

"The initial aim is to provide effective services that will save the most vital resources of the small business — time and money. The overall aim is to help it achieve success," Mr Crowhurst says.

BUTLIN'S HOLIDAYS

Move from bucket and spade days

BUTLIN'S Holidays, based in Bognor Regis, was set up by Sir Billy Butlin in 1936, helping create an era of traditional family holidays through its seaside resorts. The company has expanded into holiday hotels and caravan and leisure parks as far away as France and Spain, and became part of the Rank Organisation in 1972.

Further diversification is moving the group away from traditional bucket-and-spade image. The Bognor resort, for instance, which celebrates its silver jubilee this year, is offering more off-season activities. But there is still some traditional flavour in its latest offer of a "Cockney knees-up weekend party."

This is a far cry from the off-season religious gatherings hosted there. The Elim Pentecostal Church attracts 4,500 to its south-coast gathering in May, the Salvation Army 4,500 and the Seventh Day Adventists 3,000.

Butlin's educational support services offers school venture weeks and pre-vocational education courses and YTS courses between autumn and spring.

This summer Butlin's Bognor, which can sleep 5,500, had 127,000 resident guests and 185,000 day visitors. It attracts an additional 2,000 residents each week to its venture-in-education programme. At peak season it employs 700 staff, mostly live-in and has 100 permanent employees. A further 120 work at the head office of Butlin's Holidays.

The centre has recently added 242 "county suite" units as more upmarket accommodation. The remaining units are chalets, flatlets and apartments.

Self-catering and activities such as the schools venture weeks, will further dispel the reputation for regimented holidays. But the company recognises that it will still appeal mainly to lower socio-economic groups.

Last year's miners strike has had an effect on holiday bookings this year, mainly for northern resorts, but the company hopes that by next year the strike's effects on incomes will have dissipated.

It still hopes to maintain its 85 per cent occupancy rate. Main competitors on the south coast are Pontins, Warners and Ladbrokes.

This week in Parliament

TODAY

Commons: Debate on the Queen's Speech—Subject: Social services and education.

TOMORROW

Commons: Debate on the Queen's Speech—Subject: Industry and employment.

Lords: Debate on the Queen's Speech—Subject: Home and Environmental Affairs.

Select Committees: Education, Science and the Arts—Subject: Achievement in Primary Schools. Witness: National Confederation of Parent Teaches Associations (Room 15, 11.15 am).

Parliamentary Commissioner for Administration—Subject: Local Government Cases: Remedies and Jurisdiction. Witnesses: Hon William Waldegrave MP, Minister of State, Department of the Environment and officials (Room 5, 4.30 pm).

WEDNESDAY

Commons: Debate on the Queen's Speech, final day — Subject: The Economy.

Lords: Debate on the Queen's Speech—Subject: Economic, employment and industrial affairs.

Select Committees: Foreign Affairs—Subject: UK-Soviet relations. Witnesses: Rev. Michael Bourdeaux, General Director, Keston College; British Council of Churches (Room 15, 10.30 am). Scottish Affairs—Subject: Proposed closure of the Gartcosh rolling mill. Witness: Hon Peter Morrison MP, Minister of State for Industry (Room 19, 10.30 am). Defence — Subject: The future of the royal dockyards. Witnesses: Ministry of Defence officials (Room 16, 10.50 am). Transport—Subject: Channel Fixed Link. Witnesses: Flexilink; Eurobridge (Room 17, 4.15 pm). Environment—Subject: Acid rain. Witnesses: Hon William Waldegrave MP, Environment Minister and Alastair Goodlad, MP, Energy Under Secretary (Room 5, 4.30 pm). Public Accounts—Subject: Vocational Education and Training. Witness: Manpower Services Commission (Room 16, 4.45 pm). Foreign Affairs—Subject: UK-Soviet relations. Witnesses: British National Association of Soviet and East European Studies; GB-USSR Association (Room 15, 5 pm).

THURSDAY

Commons: Debate on a Government motion to take note of European Community documents in relation to the draft budgets of the European Communities for 1985 and 1986.

Lords: Debate on a motion to call attention to the economic and social consequences of new technologies, and to move for papers.

Select Committees: Agriculture — Subject: The disposal and storage of cereal surpluses. Witness: UK Agricultural Supplies Trade Association (Room 16, 10.45 am). Transport—Subject: Channel Fixed Link. Witnesses: Channel Expressway; Channel Tunnel Group (Room 17, 4.15 pm).

FRIDAY

Commons: Debate on Road Safety on a motion for the adjournment. The First Report of the Transport Select Committee and Government observations will be relevant.

FINANCIAL DIARY FOR THE WEEK

The following is a record of the principal business and financial engagements during the week. The board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last year's timetable.

TODAY

COMPANY MEETINGS—
Ferry Pickering Group, Allen House, Newarke Street, Leicester, 12.00
Pacific Gales Org., The Grosvenor House Hotel, Park Lane, W., 12.15

BOARD MEETINGS—
Finals:
Lucas Industries
Interims:
Amersham International
Avana
Business Mortgages Trust
Ecclesiastical Insurance Office
Outwich Inv. Tst.
Reed Publishing

DIVIDEND & INTEREST PAYMENTS—
Alliance Tst. 4½pcDb 2.25pc
American Tst. 6¼pcDb 3.125pc
Appleyard Group 1.5p
BTR 3.625p
Boot (Henry) 1p
Bristol Stadium 1.2p
British Vita 3.3p
Clyde Port Authy., 10pc to 14½pc) 5pc
DRG 3.3p
Dundee Cpn. Police 3½pcDb. 1.75pc. Do. Water 3½pcDb 1.75pc. Do. Gas 3½pcDb 1.75pc
Edinburgh American Assets Tst. 5pcDb. 1995 2½pc
Enterprise Oil 3.5p
Forth Ports Authy. 3¾pc 1.875pc
Glasgow Cpn. 6¾pc 3.375pc. Do. Gas 4.5pc. Do. Waterworks Funded Dept. 4pc 2pc. Do. Waterworks Funded Debt. 3½pc. 1.75pc. 3½pc Irrd. 1.75pc
Hamlyn Milling 5pcDb 2.5pc
Hepworth Ceramic 2.9p
Honda Motor 6 Yen
Investors Cap. Tst. 4pcDb 2pc
Manders (Hldgs.) 2.1p
Moss Bros. 1.72p
New Kleinfontein Props. 5cts.
North British Can Invst. 2p
Pritchard Services Grp. 1.1p
Ransomes Sims and Jefferies 1.5p
Scottish Eastern Tst. 4pcDb 2pc. 4pcDb 2pc
Scottish Mort. Tst. 4½pcDb 2.25pc
Scott's Restaurant 3.3p
Second Alliance Tst. 4½pcDb 1956 2.25pc

DIVIDEND & INTEREST PAYMENTS—
Secs. Tst. of Scotland 7pcDb 3½pc
Shorrock 4.58p
Sommerville (Wm.) 6pcPf. 2.1p
Tarmac 2.2p
Travis and Arnold 1.95p
Uniroyal 4¼pcDb 2.125pc
Utd. Wire Grp. 3½pc 1.75p
Wordplex 0.5p

TOMORROW

COMPANY MEETINGS—
Home Farm Prods., 58-64, Campo Lane, Sheffield, 12.00
Kent (John), The Portman Hotel, 22, Portman Square, W., 10.30
Staffordshire Potteries, The North Stafford Hotel, Station Road, Stoke-on-Trent, 12.30
Stewart Nairn Grp., Ironmongers' Hall, Shaftesbury Place, Barbican, E.C., 12.00

BOARD MEETINGS—
Finals:
Bibby (J.)
Imperial Cold Storage and Supply
Majedie Invs.
Microfilm Reprographic
Scottish Nat. Tst.
Yarrow
Interims:
Anglo American Coal
DDT
De La Rue
Great Portland Ests.

DIVIDEND & INTEREST PAYMENTS—
Benrose 1p
Chase Manhattan Cpn. 2000 $217.71
Export-Import Bank Korea 1995 $461.77
Home Farm Prods. 2.1p
Italy (Rep. of) 1994 $441.01
Kansallis-Osake-Pankki 1992 $370.75
Kent (John) 1.075p
Marsh and McLennan 67.5cts.
Nordic Intnl. Gtd. Fltg. Rate Nts. 1991 $233.75
Wolstenholme Rink 2.5p

WEDNESDAY, NOVEMBER 13

COMPANY MEETINGS—
Goodwin, 45, Church Street, Birmingham, 3.00
Protimeter, Meter House, Fieldhouse Lane, Marlow, Bucks., 12.00
Scholes (George H.), Wylex Works, Wythenshawe, Manchester, 12.00

BOARD MEETINGS—
Finals:
New Court Tst.
Redfern Nat. Glass
Smiths Inds.
Wade Potts.
Interims:
Brown Shipley
Ecobric
External Inv. Tst.
Goldberg (A.)
Land Secs.
London Tst.
Plantation Tst.
Regalian Props.
Tesco
Valor

DIVIDEND & INTEREST PAYMENTS—
Armstrong Equipment 0.8p
Bankers Tst., Intnl. 1998 $212.43
C. A. Cavendes Sociadad Financiera 1986 $22.20
Kreditkasse 1997 $21.56
Estates and Gen. Inv. 0.825p
Fletcher Challenge 12.5cts SN
Gartmore Information Tst. 0.425p
Goodwin 0.6p
GKN 4.5p
Interfirst Texas 1989 $210.83
Jaguar 3p
Merrill Lynch Overseas 1987 $106.22
NatWest Fin. (Br. $25,000) $233.19
Scholes (George H.) 14p

THURSDAY, NOVEMBER 14

COMPANY MEETINGS—
Armour Trust, 24, Upper Brook Street, W., 10.00
Courtney Pope (Hldgs.), Amhurst Park Works, South Tottenham, N., 11.00
Mucklow (A. and J.) The Strathallen Hotel, Hagley Road, Edgbaston, B'ham., 12.00
Sanderson, Murray and Elder, The Victoria Hotel, Bridge Street, Bradford, 3.00

BOARD MEETINGS—
Finals:
Gleeson (M. J.)
LWT
Moss Advertising
Nat. Australia Bank
Interims:
Allied Irish Banks
Foster (John)
Henderson Admin.
L.C.P.
Mitchell Somers
Moss (Robt.)
Scantronic
Staveley Inds.
Thorpac

DIVIDEND & INTEREST PAYMENTS—
Amari 3p
BETEC 0.5p
Courtney Pope (Hldgs.), 5.5p
Dom Hldgs. 3.225p
First Castle Elecs. 0.93p
Folkes Grp. 0.35p. Do. N/Vtg. 0.35p
Forsta Sparbanken 1990 $230
Home Counties Newspapers 1.5p
Laidlaw Grp. 1½p
Moran Tea 6p
New Zealand 1997 £145.72
Protimeter 1p
Prudential 9p
Rentokil Grp. 0.89p
Sparrow (G. W.) 0.25p
Stewart and Wight 15p
Turner and Newall 1.35p
United Merali 1986 $460

FRIDAY, NOVEMBER 15

COMPANY MEETINGS—
Baillie Gifford Japan Tst., 3, Glenfinlas Street, Edinburgh, 12.00
Belam Grp., Butchers' Hall, 87, Bartholomew Close, E.C., 12.00
Cray Elecs., The Institute of Chartered Accountants, Chartered Accounts' Hall, Moorgate Place, E.C., 12.00
Renishaw, The Post House Hotel, Thornbury Road, Alveston, Avon, 12.00

BOARD MEETINGS—
Finals:
Barton Transport
Bellway
Black Arrow
Sonic
Interims:
Acsis Jewellery
Amalg. Financial Inv.
Capital Gearing Tst.
Delyn Packaging
Hartwells
Smallshaw (R.) (Knitwear)

DIVIDEND & INTEREST PAYMENTS—
Abbott Labs. 35cts.
Abingworth 1.25p
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Arbuthnot Dollar Inc. Tst. Pf. 3cts
Automated Sec. 0.55p
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Galbc 2p
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Brunswick Cpn. 25cts
Chase Manhattan 95cts
Christiania Bank Kreditkasse 1995 $536.76
Citicorp Overseas 1991 £144.174
Colgate-Palmolive 35cts
Commercial Union 4.85p
Cory (Horace) 0.2p
Derwent Valley Hldgs. 15p
Dufay Bitumastic 1p
Empire Stores (Bradford) 0.5p
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F. and C. Alliance 6pcPf. 2.1p
Ferry Pickering Grp. 1.9p
Febel Intnl. 0.2p
Fogarty 1.6p
French Kier 2.33p
General Comm. Tst. 4pcDb. 2pc
Hambros Tst. 5pcPf. 1.75p
Hume 7pcPf. 2.45p
Inter-American Bank 9¾pcLn. 2015 £5.68
Jerome (S.) 1p
London and Manchester Grp. 8.12p
Lowe Howard-Spink Campbell-Ewald 2p
Mackay (Hugh) 1.4p
MacLellan (P. and W.) 0.7p
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Sperry Cpn. 48cts
Standard Life Assurance 5pc 2.5pc
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TSB Gilt Fund 2.88p
Treasury 3pc 1989 £1.7918. 12pcLn. 1995 6.375pc
Tyne and Wear County Council 12pc 1986 6pc
Zapata Cpn. 3cts.

SUNDAY, NOVEMBER 17

DIVIDEND & INTEREST PAYMENTS—
Electricite de France 11¾pcLn. 2009-12 5.875pc
Treasury 9pcLn. 1994 4.5pc

BUSINESSMAN'S DIARY

UK TRADE FAIRS AND EXHIBITIONS

November 24-30
International Building and Construction Exhibition — INTERBUILD (01-486 1951) — NEC, Birmingham

November 26-28
Northern Control and Instrumentation Exhibition (01-855 7777) — *Harrogate* Exhibition Centre

November 27-29
International Test and Measurement Exhibition — ITAME (0799 26699) — Olympia

November 27-December 1
World Travel Market Exhibition (01-643 8040) — Olympia

December 2-5
Royal Smithfield Show (01-235 0315) — Earls Court

December 5-6
Tax and Investment Exhibition (04868 21231) — Wembley Conference Centre

December 9-11
Exhibition, Conference and Incentive Travel Event — EXCITE (0737 68611) — Olympia

December 11-13
International Coal Utilisation Exhibition and Conference (01-437 2175) — Wembley Conference Centre

OVERSEAS TRADE FAIRS

November 12-16
Maritime Trade Fair — EUROPORT (01-437 2175) — Amsterdam

November 10-14
Arab Home Furnishing and Consumer Goods Show (01-486 1951) — Bahrain

November 12-17
Heating, Refrigerating and Air-Conditioning Exhibition — INTERCLIMA (01-439 3964) — Paris

November 20-24
International Food and Beverage Festival — FOODFEST (01-236 2399) — Hong Kong

November 24-28
International Hotel, Restaurant and Institutions Equipment Exhibition (021-705 6707) — Brussels

November 26-28
Computer Aided Design and Manfacturing Exhibition — CADCAM (01-437 2175) — Amsterdam

November 27-30
Energy Concepts for the Industry Convention and Exhibition — ENKON (01-930 7251) — Nuremberg

November 27-29
Biotechnology Exhibition — BIOTECH (01-868 4466) — Singapore

November 28-December 1
Autumn/Winter Ready-to-Wear Fashion Fair — PORTEX (01-493 0212) — Oporto

December 2-5
Oil and Gas Conference and Exhibition — ASCOPE (01-486 1951) — Kuala Lumpur

December 7-12
International New Computer Technology Exhibition — COMPUTER CHINA (01-486 1951) — Beijing

December 12-15
Coin and Card Operated Machines and Equipment Exhibition—COIN-OP (01-734 7262) — Singapore

December 17-19
Summer Travel Industry Exhibition—TOUR (01-437 2175) — Amsterdam

BUSINESS AND MANAGEMENT CONFERENCES

November 12-13
Euromoney Conference: Euronotes distribution structures, placement and trading (01-636 3288) — Grosvenor House, W1

November 12-13
FT/Venture Economics Conference: Venture capital in 1985 — the international outlook (01-621 1355) — Geneva

November 14
Institute of Directors: How to attract, motivate and retain key staff (01-839 1233) — 116 Pall Mall, SW1

November 14-15
Oyez IBC: The global equity market conference and exhibition (01-236 4080) — London Marriott Hotel, W1

November 18-19
FT Conference: Space: commercial benefits for industries worldwide (01-612 1355) — Hotel Inter-Continental, W1

November 20
Marketing Society Annual Conference (01-836 6801) — Grosvenor House, W1

November 20-21
The Infomatics Resource Centre: Large systems 1990- current options and future views (01-871 2546) Kenilworth Hotel, WCI

November 21-22
The Institute for International Research: The Second Annual China Trade and Investment Conference. (01-434 2017) — Royal Lancaster Hotel, W2

November 21-22
Euromoney Conferences: Corporate Finance Conference (01-236 3288) — Hotel Inter-Continental, W1

November 26
Oracle Business Information: General insurance companies—a practical approach to VAT planning (01-727 3503) — Gloucester Hotel, SW7

November 26
Oyez IBC: UK onshore and offshore oil and gas—rearrangement of licence interests (01-236 4080) — Portman Hotel, W1

November 28
Leasing Digest Conference: The new era for leasing companies (0376 62262) — Grosvenor House, W1

December 3-5
Unicom Seminars: Expert systems and optimisation in process control (01-940 7716) — London West Hotel, SW6

December 4
Oyez/IBC: Re-regulation of the City, management of change (01-236 4080) — London Press Centre, EC4

December 4
Dun and Bradsheet: Finance for private companies (01-377 4454) — Cafe Royal, W1

December 4
Meeting Point Conferences: Selling to multiple retailers (01-734 0453) Strand Palace Hotel, WC2

December 5-6
Business Research International: The London international loan markets (01-637 4383) — Hyde Park Hotel, SW1

December 6
CBI/FIBEX: Post - acquisition strategy—How to get the best performance from your acquisitions — Centre Point, WC1

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there has been no change in the details published.

Architecture

Colin Amery

The danger of the professionals

PRINCES have often passed the time of day with architects. It was in 1610 that Inigo Jones was appointed Surveyor to Henry, Prince of Wales. Things were different then — design a masque or two and a tournament and your reputation was made. The Prince Regent must have had a few ups and downs with John Nash but the Prince Consort enjoyed the company of architects because he could have been one himself.

It is rather different now. Sadly it is not the order of the day for princes to build palaces nor, constitutionally, can they do much more than advise and warn about the direction taken by the professions that operate under Royal Charters. Prince Charles has realised and drawn attention to the fact that the architectural profession in the UK has not been giving people what they want.

While he is in Washington the Prince of Wales will visit the American Institute of Architects and attend a seminar about community architecture and the inner cities. He is likely there to meet the architect David Lewis (once described as the Welsh flying doctor to the wounded American cities). It was Lewis who spoke earlier this year on the subject. *Making City Democracy Work*, when he visited the Royal Institute of British Architects. Then he described the American programme of Regional Urban Design Assistance Teams — volunteer teams of professionals set up in the early 1970s to assist in the riot-torn ghettoes of American cities. A similar experiment was tried in the St Mary's area of Southampton this summer and there will be more experiments in some northern cities.

There is a danger that the professionals will once *again* decide that they know best and that this time it is community architecture that will be applied as a panacea for the problems created by earlier professional panaceas in the post-war years. The value of the American experience is that it has restored democracy to the design process and made it clear to professionals that the problems of inner cities are more complex than mere matters of architecture.

Whatever the energetic Rod Hackney comes up with after his architectural probe into the inner cities and their trouble spots, it is important that the solutions arise from the people themselves. Architects have rightly been blamed for their extreme arrogance in the recent past. The unholy alliance of industrialised system building and the super-confident architect has produced places like Broadwater Farm—scene of the Tottenham riots. However unjust it may seem to some, "Modern Architecture" has been blamed for much social discontent and sheer ugliness.

It is unlikely that architects,

> **'... the problems of inner cities are more complex than mere matters of architecture.'**

now crouching under the community umbrella, can relieve inner city deprivation and strife. They are wrong to attempt it alone. Community architecture should be about politics—and this makes is dangerous territory for princes. People know what kinds of houses they want and they also know that their local political system and the absence since 1973 of the effective *small* units of local government, make it nearly impossible for local community initiatives to flourish.

In Liverpool there has been a long political fight to achieve the successes of the housing co-ops and in Glasgow the introduction of "self-managed" housing estates is only being achieved in the face of prevarication by the Government. Why should it only be architects who can bring about environmental change?

Perfectly ordinary people without expensive professional training do need *a* little help in the design of new houses but they do not need a bandwagon of community architects to tell them what to do. Poorer people must be helped to house themselves and their own capacity encouraged rather than hindered. This can be done only at a very local level with the encouragement of democratically elected local government.

If the story of the Prince and the Architects is to have a happy ending a way will have to be found to allow an English version of what the Americans call "the precise and articulate physical language of democracy" in our inner cities. It it hard to see how this can be achieved by pretending that architecture is somehow a private activity practised outside the political arena.

*

In the City this week is an important exhibition (in the Visitors' Gallery of the Stock Exchange) about the future of two important London institutions. The Courtauld Institute of Art is one of the world's leading centres for the study of art history. It is planning to move its academic activities and its stunning collections to the magnificent premises at Somerset House.

It is the most enlightened idea and will give London a magnificent new art gallery and reuse a superb Georgian palace that has been closed to the public for far too long. The exhibition is designed to show how the Fine Rooms will be used and the collection displayed. The success of this project depends on an appeal for funds: it is hard to think of a better way of supporting both art and architecture.

Less enlightened activities seem to be going on in Hammersmith where the island site on Hammersmith Broadway is to be turned into a dreary office development.

One of the things that will be lost is the Baroque facade of Bradmore House, attributed to the architect Thomas Archer (1668-1743) who was the architect of St John's, Smith Square. Surely this facade, which was originally saved in 1913, can be incorporated into a new scheme. It is too important to lose and Hammersmitr Council should not let one of the f≠w good things left in the borough be sacrificed.

Così fan tutte/Cardiff

Max Loppert

In advance of Saturday's première at the New Theatre, the big question to be posed about the new Welsh National *Così* (sponsored by Prudential) was: What Would They Do With It? Would the setting be transferred to a swimming bath, a rubbish dump, a tree-house, a circus? Would there be weird fetishist activities with shoes and crosses, or climactic tableaux of revolutionaries and freedom fighters? The mind boggled over what a WNO Despina might get up to with the chocolate; the prospect of Albanians disguised in heavy leather or drag made the head swim.

The most surprising thing about the show, then, in view of the company's recent ways with sanctified repertory masterpices proves to be its fidelity (give a minor detail or two) to Da Ponte's libretto, its acceptance of the specified time and place, its willingness to work within the Mozartian musical frame rather than attempting a simultaneous critical commentary thereto. This was refreshing, as were the generally clean, uncluttered lines of thought developed by the producer, Liviu Cieulei (a senior Romanian of international theatrical reputation making here his British debut).

According to a WNO programme note by Anthony Peattie, the producer raised doubts, during the rehearsal period, about the exact station and degree of "breeding" of the ladies from Ferrara; these manifest themselves in some interesting and original turns of action (Fiordiligi's submission to the disguised Ferrando culminates on the floor, stage front). But such things never seem, in context, extraneuos or, indeed, salacious; for this is a *Così* that explores the disquieting fluidities of all the relationships, and casts its shadow on all the participants — as in the ENO's *Xerxes*, the ripples of discomfort caused by the final gereral reconciliation count as one of the performance's strongest points.

There were others — the genuinely down-to-earth, unskittish Despina (Andrea Bolton), a wonderfully subtle portrait of a wine-bibbing old Don Alfonso by Thomas Hemsley. But there was also a fair amount of untidy stage management and inept stage lighting about the first night (which will come right), and a slight feeling of constraint provided by the unsightly *papier-mâché* frame and plastic-seascape backdrop (designers: Radu and Miruna Moruzescu); at least the acting area is coolly attractive in its proportions, and the costumes are good. A larger constraint, which in future seasons must urgently be put right, is the direct result of requiring an all-British cast to sing the work to a Cardiff audience in the original language. Most of the articulation of Italian is dutiful but lifeless; only Mr Hemsley, despite his noticeably English accent and his reduced (but expertly managed) vocal resources, actually *uses* the words in ways that propel the drama.

But perhaps the largest limitation on the pleasures of the evening came from an entirely unsuspected sources — György Fischer, previously a WNO Mozart conductor of impressive qualities, who gaev here a heavy, unsensual account of the score, median in tempos and dynamics, plainly phrased (and sorely lacking in the nec[illegible]ry 18th century vocal graces). The potentially admirable Fiordiligi of Elaine Woods (whose intonation was fallible) and Ferrando of Laurence Dale wanted much more encouragement to make the music and the characters flower: Delia Wallis, an experienced Dorabella, seems to have lost some of her vocal allure. In the circumstances, it was only the unpolished but vital young Guglielmo of Mark Holland who achieved anything like dramatic development. The basis for an eloquent ensemble *Così* is all there; everything and everybody now need to be let off the leash.

Elaine Woods and Della Wallis

Faust/Glasgow Citizens'

Michael Coveney

Last year the Berliner Ensemble brought to the Edinburgh Festival a four-hour version of merely the *Urfaust* of Goethe; the delightfully incorrigible Glasgow Citizens have now produced the entire work, a well-organised smattering of Parts One and Two, in merely three and a quarter hours. Louis Macneice abridged Goethe's 12,000 lines to about 8,000 for his 1949 radio version (still a marvellous text). I would guess that Robert David MacDonald has cut a good bit more.

Part Two is rarely performed in Europe, never, as far as I know, on the British stage. But without it you cannot see *Faust* as, in George Steiner's words, "a sublime melodrama," with the hero getting the better of Mephistopheles. He may not win the wager struck in Part One, but he does not lose it, dying on a vision of an affluent society in a free country. Mephistopheles, dazzled by the angels, declares he has been swindled by God as Faust is quietly transported to heaven.

Long metaphysical speeches, complex classical allegories and various Greek gods have been cut from Part Two. But the Citizens' approach *is* confidently based on an assumption that the work is stageable, not a view Goethe held with much conviction. And Mr MacDonald's production is another fine example of this venue's hubristic theatrical intelligence, setting the opening and closing scenes not in Heaven but in a rehearsal room, with Giles Havergal as the divine director.

Kenny Miller's design is brutally white, its brash ruined classicism fitted out with Anglepoise lamps and bookshelves for Faust's study and a white traverse curtain which conveys both the presentational theme of the plays and the flashing, *conjured* aspect of the narrative; heads pop above it on the Easter outing, or a shadow play is glimpsed through it, as in the playful evocation of Helen and Paris ordered by the Emperor.

This last character, in Rupert Farley's short-trousered brat, makes an imperious entrance through the stalls only to be denied practical access to the stage. His court—a colourfully caricatured trio of ministers led by John Sommerville's indecently tall Cardinal—derives from the first part, regulars indeed in Auerbach's cellar, belching and farting in a grotesque diagonal while Gretchen collects the empties.

The adaptation is full of such clever touches and elisions. There is genuine poignancy in Faust's obsession with Gretchen (Yolanda Vasquez), the murder of her brother Valentine and a subsequent dementia split by a fine Church scene of thuribles, a papier mâché Madonna adorned with fairy lights, and doomy chorales. Again, the scene crossfades with no great fuss to the witches' kitchen (out of which you are advised by Mephisto to stay if you don't like the heat).

Mark Lewis in the title role is a grizzled, bearded intellectual who is ingeniously transformed into a lover, man of action and powerful benefactor by his progress through the evening. He shares with his spiritual adversary a protean quality, though Andrew Wilde's energetic, quick-changing devil is more of a fancy-dress chameleon. Mr Wilde is a tireless master of ceremonies finally rejected by the great director in the sky.

Role-switching pays off, too, in the case of John Wagland, a mysterous floating student in Part One who is most ingeniously employed in Part Two as Paris: the scientific baby (Wagner's Homunculus is a fully embodied spirit stepping free from Sellophane wrapping); the doomed love child of Faust and Helen, Euphorion; and the angelic anchorite of the last scene. And his costume is a tracksuit throughout.

The Helen episode, Julia Blalock voluptuously statuesque in a scarlet dress, is offered, a little uneasily, as a parody of Greek tragedy; a muzzled dog, presumably representing the fettered Lynceus, is an image in need of decoding.

The translation is almost relentlessly witty, catching both Goethe's fabled coarseness of rhyming couplets, and lines switching from four stresses to iambics and even sharpening up Goethe's erudite references.

Notable contributions from Robin Sneller as an eager, breathless Wagner and Roberta Taylor as a fearsome variety of witch complete a production that makes creative light work of seemingly intractable material.

Elisabeth Platel/Covent Garden

Clement Crisp

Were we in Rome, there would have been white smoke appearing from an Opera House chimney on Friday night, and the cry "*habemus Aurorum*." Elisabeth Platel, making her debut with the Royal Ballet in *The Sleeping Beauty*, gave an interpretation lustrous, beautiful. Three years ago I reported from Paris on her Aurora, when she shone like the best of deeds in the naughtiest of worlds which was the Opéra's maniacally flustered staging. Now, in a production which largely respects Petipa's original, the jewel of her dancing finds a worthy setting.

Watching Miss Platel we see, first of all, ideal schooling. The basis of her art is secure, elegant; her use of it is brilliant in effects and subtle in means. She offers that rare combination of physical exhilaration allied to classic sensibility, so that the life of the role, and of the dance itself, illuminate the formal proportions of her style. Hers is a slender yet expansive physique. Legs flash into highest extensions but also find delicacy for the smallest steps. Arms open out into generous though academically ordered gesture. Her temperament is vivid but unforced, without factitious bravura.

She shows us choreography as have ever done the greatest French exponents of *mélodie* or opera in the knowledge that words and music are indivisible, equally to be respected. (The recent reissue of the wonderful Joachim / Jansen / Desormière *Pelléas* recording tells everything of this minner.) So Miss Platel articulates her words — the steps — with exquisite diction, not a syllable lost, not a phrase fudged, integrating them with the melody of choreography and characterisation. Aurora is brought to stage life with exemplary clarity, refinement, and an alert musicality.

The young princess of the first act is radiant, the stage lit with the brightness implicit in her name. The Rose adagio is sweetly dignified; the variation has a kind of melodious joyfulness; the spindle scene catches all the feeling so potent in the score. The vision of Aurora in Act 2 shows that classic style may melt a little, with yearning arms and movement sustained on a long-breathed legato — Miss Platel favours less brusque tempi than our local performers — each nuance of accent and phrase displayed without losing the onward momentum of the dance.

The last act duet was limpid, Miss Platel's line stretching out and ever onward, the harmony and nobility of the classic dance always respected. A performance, in sum, worthy of Petipa and Chaikovsky.

There were brief moments of disaccord with Mark Ermler's tempi, and traces of early nervousness, but we have not seen such an Aurora at Covent Garden for years. Miss Platel's partner was Jonathan Cope, making his debut as Florimund. As yet he gives the mere outlines — technical and emotional — of the role, but he proved himself an attentive partner. Anthony Dowell has assumed the secret, black and midnight mantle of Carabosse this season, in a portrait of seething malice, boldly malevolent in presence. Miss Platel appears only once more as Aurora, but she must surely return for further performances and further ballets.

Wexford 1986

The opera programme of the 1986 Wexford Festival October 22 — November 2) will be made up of three works, Rossini's *Tancredi*, Thomas's *Mignon* and the rarely-performed *Königskinder* by Humperdicnk composer of *Hansel and Gretel*). In addition, there will be a full supporting programme of concerts and recitals.

Turangalîla/Festival Hall

David Murray

It was a safe guess that Esa-Pekka Salonen was just the conductor to renovate Messiaen's *Turangalîla-Symphonie* with the Philharmonia Orchestra. Saturday's performance confirmed it with bells on—and celesta, glockenspiel, piano, vibraphone and marimba: nothing jingles like *Turangalîla*. It is a sort of huge brass bed.

It cannot be much fun for the players, except the featured soloists (piano and Ondes Martenot) and those who relish flat technical challenges like demands on stamina (will my tone survive all the fortissimos?) and a lot of writing that is virtually transcription of keyboard-effects. Granted a thoroughly proficient band, the conductor has still to keep them in good temper — which Salonen evidently did, since the Philharmonia made a crisp, warm, beautifully balanced sound all evening. The brass chording was admirable, and the sustained string-halos on every note of the "Jardin" melody never slipped. The games with irregular rhythms were lithe and lucid, and the most overweening tuttis kept a spacious breadth.

Beyond those executive essentials (for a raw-sounding *Turangalîla* is an interminable horror), the conductor must also sculpt the *Leitmotiven* to the sharpest possible silhouettes since they are iconic objects rather than themes for symphonic development. Salonen presented them as incisively — and unsentimentally — as could be wished.

He had superlative principal soloists. At the Ondes Martenot, Tristan Murail offered fresh subtleties in a part which does little more than double the violines except when Messiaen wants a glissando-howl, and he eschewed saccharine additives. The pianist was Paul Crossley, whose tone was properly penetrating and brilliant as needed, and who has mastered the right style of impersonal cadenza-rhetoric — grand gestures, wielding the *rubato* that the orchestra is denied, but with no intrusion of subjective feeling. *Turangalîla* gleamed again, crazily wilful but imposing: rather like the Watts towers, *if only* they were hung hung with devotional pictures and pious footnotes.

Toys in the Attic/Watford Palace

Martin Hoyle

Of the first British production, over 20 years ago, of Lillian Hellman's exercise in family tensions, I remember chiefly Wendy Hillers' throttled cooing as an old maid, New Orleans style, and Coral Browne's icy sleekness as a rich oddball. The production was portentous to the point of dullness, which explains Hellman's reluctance to allow further British presentations for the rest of her life.

Watford, therefore, have something of a scoop, underlined by solidly sold-out houses and an innovative Sunday performance to cope with the demand.

Rightly, since Leon Rubin's deliberately lively production evokes a high level of acting, though the play itself strikes me as too long and given to labouring its points excessively.

The two spinster sisters who fight genteel poverty in hated jobs are from Tennessee Williams territory. But instead of loving the family home, they loathe it. "Nobody has ever liked this house. Nobody is ever going to." Their feckless brother, returning with his young wife after a long absence, is another Williams-like golden lad whose promise withered and whose big deals disastrously, violently fail. And endemic to the hothouse climate of the theatrical Deep South is the revelation of emotions too obsessive to be healthy, reflected by sister Carrie's devotion to her brother as long as he is dependent on her, and the satisfaction she gains from wrecking his chances of escape.

Garrick Hagon plays the gambling Julian with the manic giggle of the desperate, not quite believing his good luck. The character is saddled with a wife tiresome beyond the call of fey southern dottiness: prancing around in underclothes. Lysette Anthony occassionally displays straightforward attack but the writing leaves her little alternative but to roll her eyes vigorously heavenwards.

As her wealthy mother, Gwen Watford's natural kindliness makes for an amiable eccentric rather than a fastidious misanthrope. Doyle Richmond manages little for the impossible part of her oracular black companion/chauffeur who speaks deliberately As If In Capitals.

Remain the sisters. Helen Ryan's dignity and resignation make a fine foil for Hayley Mills's scheming Carrie. A fluttery Williams heroine can be heard in Miss Mills's tremulous lilt. She hardens into malevolence, the face furrowing with lines of frustration and purposefulness: an intelligent, tense performance—though Miss Mills still looks too young to be an old maid—that makes one look forward to seeing her again.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

Music

Nov 8–14

LONDON

English Chamber Orchestra, conducted by Jeffrey Tate, with Oscar Shumsky, violin. Butterworth, Mendelssohn, Dvořák and Haydn. Royal Festival Hall (Mon). (928 3191).

Chelsea Opera Group and Chorus, conducted by Brian Wright, with Patrizia Kwells (soprano), and Ian Partridge (tenor), among the soloists. Händel's Hercules. Queen Elizabeth Hall (Mon). (928 3191).

London Sinfonietta, conducted by Elgar Howarth. Maxwell Davies and Tippett. Queen Elizabeth Hall (Tue).

London Philharmonic Orchestra, conducted by Yevgeny Svetlanov, with Cristina Ortiz, piano. Brahms, Mozart and Franck. Royal Festival Hall (Tue).

PARIS

Maria Ewing recital (Mon): Théâtre de l'Athenée (742 6727).

Mikhail Rudy, piano: Haydn, Scriabin, Chopin, Brahms (Tue). Salle Gaveau (563 2030).

Concert in aid of the Marcel Valelot Foundation, with Pierre Amoyal, Patrice Fontanarosa, Anne-Sophie Mutter, Mstislav Rostropovitch, Isaac Stern and other stars. Beethoven, Prokofiev, Schubert, Landowski (Tue). Salle Pleyel (561 0630).

ITALY

Milan: Teatro alla Scala, Eliahu Inbal conducting Mahler's 6th symphony (Wed, Thur). (80 91 26).

Rome: Auditorium via Della Conciliazione, Giuseppe Sinopoli conducting with Malcolm Frager, piano. Schumann. (Mon and Tue). (654 1044).

Rome: Oratorio del Gonfalone (Vicolo della Scimmia 1/B). In this delightful 17th Century theatre, the Endellion String Quartet. Mozart, Britten and Beethoven. (Thur). (655 952).

VIENNA

Franz Schubert Quartet: Schubert and Beethoven. Musikverein, Brahms Saal. (Mon).

Kyoko Ogawa-Ebisawa, piano. Schubert, Matsumura, Schumann. Musikverein, Brahms Saal (Thur).

BRUSSELS

Palais des Beaux Arts: Rotterdam Philharmonic Orchestra, conducted by James Conlan, with Boris Christoff, bass. Mussorgsky (Wed); Lieder recital, with Maria Ewing accompanied by Geoffrey Parsons. Händel, Schubert, Wolf, Duparc, Debussy (Thur). (512 4045).

NETHERLANDS

Amsterdam, Concertgebouw. Ken-Ichiro Kobayashi conducting the Japan Philharmonic, with Osamu Yamaguchi, guitar. Toyama, Rodrigo, Tchaikovsky (Mon). Recital Hall: Theo Olof, violin. Bach (Tue). (71 83 45).

Amsterdam, De Meervaart. The I Fiamminghi Chamber Ensemble (Wed). (10 73 93).

Rotterdam, De Doelen, Gerard Akkerhuis conducting the Rotterdam and Hague chamber choirs and the Hague Bach Orchestra, with soloists. Bach, Mozart (Wed). Recital Hall. The Travelling Music Ensemble. Crusell, Klughardt, Beethoven, Tchaikovsky (Wed). (14 29 11).

NEW YORK

New York Philharmonic (Avery Fisher Hall): Zubin Mehta conducting: Maurizio Pollini, pianist. Lutoslawski, Brahms (Tue), Zubin Mehta conducting; Bennett Lerner, piano; Al Copland programme commemorating the composer's 85th birthday, with world premiere of Proclamation (Thur). Lincoln Center (874 2424).

WASHINGTON

National Symphony (Concert Hall): Rafael Fruehbeck de Burgos conducting: Jeffrey Kahane piano. Ibert, Saint-Saëns, Beethoven (Tue); Rafael Fruehbeck de Burgos conducting; Frans Helmerson, cello. W. Schuman, Bloch, Tchaikovsky (Thur). Kennedy Center (785 8110).

CHICAGO

Chicago Symphony (Orchestra Hall): Kurt Sanderling conducting; Malcolm Frager, piano. Mussorgsky/Shostakovich, Mozart, Shostakovich (Thur). (435 8122).

TOKYO

David Gerings, cello, accompanied by Tatjana Schatz: Schumann, Prokofiev, Ligeti, Brahms. Tokyo Bunka Recital Hall (Tue). (237 9990; 470 2727).

Xue Wei, violin, with Shuku Twasaki, piano: Händel, Faure, Wieniswski, Ysäye, Franck. Nikkei Hall. (Tue). (440 5541; 270 0251).

Hannes Kastner, organ: Bach. St Mary's Cathedral (Wed). (236 1661; 980 6060).

Saleroom/Antony Thorncroft

Tuning up for a record

THE OUTSTANDING sale of the week takes place at Sotheby's on Thursday when, for the first time in a century, four instruments by Stradivari, three violins and a cello come under the hammer on the same day. One of the violins, known from a previous owner as the "Lady Blunt," could fetch £1m, far exceeding the previous best £396,000, paid last year at Sotheby's for another Strad violin.

The "Lady Blunt" was made in Cremona in 1721 at the height of Stradivari's "golden period" and when it last appeared at auction, in 1971, it established a record price of £84,000. Its present owner is selling two more Strads at the sale, the 1725 Wilhelmj (estimate £600,000-£800,000) and the "Red Diamond," (estimate £300,000-£400,000).

The "Red Diamond" had been lost at sea in 1953 only to be found on a beach intact, although unstuck. The cello, known as the "Ben Venute, ex Pawle" of 1730, is placed in the £400,000-£600,000 price range.

On the same day, at its new Sussex saleroom near Billingshurst, Sotheby's is disposing of several early items of English blue and white porcelain long unfashionable among collectors. In the last year there has been a surge of interest, with prices for good examples of the 1750s doubling in value. On offer this week are a Worcester blue and white teapot and cover, painted with the "Captive bird" pattern, and estimated at £1,000-£1,500, and a Bow mug of 1751, with forecasts around £1,000.

Christie's has a most important sale on Friday—a collection of pictures, drawings and lithographs of the early 19th century French artist Theodore Gericault, who died in 1824 at the age of 33. They were assembled by the late Hans E. Buhler, and should realise in excess of £2m. Among the most desirable items is an illustration in watercolour for Byron's poem "The Giaour" (estimate £100,000-£150,000). Works by Gericault rarely appear at auction. Now suddenly here are 30 oils and 40 drawings, plus the lithographs.

On Wednesday there is an intriguing sale at Christies of 16th century armour *à la façon d'Espagne*, armour supplied to the Spanish court at the time of the Holy Roman Emperor Charles V, and mostly made in Augsburg and Milan. Some items on offer were certainly in the Royal Armoury in Madrid until the late 1830s.

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Monday November 11 1985

High-speed sale for gas

THE privatisation bandwagon *accelerated with a jolt last* week, but it is by no means clear that the Government has a tight enough grip on its direction. The sale of British Gas, announced in the Queen's Speech on Wednesday, raises important questions about competition and about future energy policies, to which the Government has given only the most *perfunctory answers so far.* Most obviously, the conduct of *the gas industry will have* a major bearing on how wisely Britain exploits its North Sea riches during the next few decades.

Under what conditions can such a heavy responsibility be handed over to a private monopoly? How should its pricing strategy reflect *the inevitable* decline of North Sea gas? Could *increased market competition* reduce the need for regulation? *How should the gas industry* start preparing for the time when its costs will rise faster than those for electricity?

The Government's public treatment of these issues has been lamentably thin. Within Whitehall the debate has been cut short almost in mid-sentence by the political decision to sell off gas as quickly as possible. *All argument about* whether the corporation should *be split up into separate parts* with at least some competition *between different regional* companies was terminated last May. Mr *Peter Walker,* the Energy Secretary, announced then that it was to be sold as one huge enterprise.

Tax cuts

This *decision owed little or* nothing to the economic merits of the case. The Government's overwhelming desire was to make extra room for tax cuts before the next election. It wanted the first tranche of perhaps £2bn (the same as the cost of a 2p cut in the basic rate of income tax) to be available in 1986-87. But this tight schedule could not have been met without the blessing of Sir Denis Rooke, British Gas's forceful and politically astute chairman.

Sir Denis was pledged to oppose any sale that involved the break-up of his empire, so the alternatives were hardly considered. A case could be made for keeping the industry together and for avoiding trouble with its managers. However, *the proposed arrangements certainly* protect British Gas's *monopoly, while its policy of* setting prices below long-run marginal costs will keep out competitors at least until the end of the decade.

Political haste now threatens to curtail the equally important debate about how the monopoly should be regulated. The Government is intending to publish a Bill by the end of this *year with Royal Assent* expected by the summer. Mr John *Moore,* the Treasury's Financial Secretary, has suggested that the Government has already amassed an expertise on the regulation of private monopolies, as a result of the flotation of British Telecom. But this is true only in the broadest sense. Whereas telecommunications is a *growth industry* in which micro-electronics advances will *cut costs and expand markets,* natural gas supplies will inevitably decline in the *medium* to long term.

That leads to the politically unpalatable fact that prices will have to rise in real terms. If gas is to become relatively less competitive compared with electricity, then the pricing system should be signalling that in advance, to encourage industry to make appropriate *investment decisions. In a* fully competitive market this would happen automatically. In the case of British Gas, regulators will need to ensure that the corporation does not try to expand its markets or freeze out competitors by holding prices too low in the short term, when it knows that prices may have to rise quite steeply in future.

The regulators' job in overseeing prices therefore has major implications beyond the protec*tion of the consumer—ranging* from North Sea depletion policy towards the wider uncertainties about Britain's energy demand and supply. The rather simple pricing formula now being proposed will be quite inadequate for this task in the medium term.

Meanwhile, there is one thing the Government could do to show that it is serious about the virtues of market forces: it could announce at once that it will itself stop interfering in the market for North Sea gas, allow free exports of gas to the Continent, and thus put an end to the monopoly buying power of British Gas. *The alternative would be to give the new private monopoly inordinate* power over its suppliers or *lead to a nightmare of complex* regulations and ad hoc govern*ment interference.*

Collaboration in high technology

TWO EVENTS last week advanced the cause of European collaboration in high technology. What is less certain is how far they will contribute to the goal which underlies collaboration—greater competitiveness.

President François Mitterrand of France caused a mild stir by offering to bring his country back *into the four-nation* project for an advanced European fighter which the French quit in the summer. And a ministerial conference of western European states made some progress towards defining the still nebulous, French-inspired Eureka plan to encourage cross-border co-operation in high technology.

Judging by first impressions, Mr Mitterrand was knocking at *an open door When Britain,* Italy, Spain and West Germany decided to go ahead with the EFA fighter, they made it clear that they were willing to take in other partners. What they will not do is reopen debate on what sort of aircraft it is to be. The French had a different requirement.

Mr Mitterrand appears to have recognised this since he offered to take a relatively small share in the project. It could, however, prove to be more than token participation. By joining in the venture, he would increase opportunities for the French avionics industry to gain business from the EFA. A widening of potential suppliers would be all to the good, *as long as they are selected by* competition, not by political *horse trading.*

Symbolic

Given the potential advantages of French participation in the EFA, its sponsors should *consider returning the compliment* by taking a similar stake *in the French plan for its own* fighter. Opportunities may *emerge for cross-fertilisation* between the two projects and *for more co-operation in the* future.

No doubt Mr Mitterrand's gesture is partly symbolic: two *separate and very expensive* projects will continue to go *ahead. There is symbolism, too,* in the Eureka programme. *There is growing support for* the view that more collaboration between companies, not only in pre-competitive research but also in commercial development, is one of the keys to improving European competitiveness. The evidence for this view is scanty. Collaboration is not the basis of US and Japanese success in high technology, *although* both countries make some use of co-operation *at the pre-competitive stage.*

It is true that in some high-technology sectors there are too many European competitors, none of which enjoys economy of scale. But the correct response to that may be, not collaboration which enables them all to stay in business, but a reduction in their number through mergers and takeovers. The *worst outcome*—and it is a danger inherent in Eureka—would be a network of co-operative agreements which had the effect of weakening competitive pressures.

Collaborative ventures, of course, can co-exist with intense competition, as for example in the European motor industry. An electronics company may *choose to pool its efforts in one* particular technology with those of a rival, thus achieving economies of scale in that field, without the upheaval of a full merger. Whether such agreements need the stimulus of government backing is more debateable.

Perhaps the existence of Eureka will encourage European high-technology companies to look more actively for joint ventures (and takeover opportunities) within Europe, rather *than with the US or Japan,* and thus develop a more European *attitude of mind among industrialists.* That, in turn, could lead to more pressure from industry for the removal of trade barriers within the EEC.

If the effect of Eureka is to *reinforce the drive to open up* government purchasing and establish common technical standards in Europe, it will have served a *useful purpose. But* for that to happen governments *will have to accept a much* greater degree of interdepen*dence in high-technology* products, implying a smaller role *for at least some of* their national champions. That is *when the really difficult* decisions have to be made.

Buy-outs are the fashion, but there are still a few doubts

By William Dawkins

NO QUESTION *about it*—there is a new spring these days in *the step of* Mr Terence Mallinson, the only remaining member of his *family* to sit on the board of Mallinson-Denny, the timber products group.

"It's a different atmosphere," says Mr Mallinson, group marketing director. "The six of us directors are now a close knit club, whereas before we were all getting on with our jobs separately. Nobody now has any doubts about the efforts being put in by anybody else. There is a great deal more direct communication between us. The feeling now is one of being proprietors rather than staff."

That expresses the positive side of what it is like to be at *the helm of a management* buy-out. Mallinson-Denny's directors, staff and 25 financial institutions paid about £90m in August to acquire the operation from Brooke Bond — by then part of Unilever — in what is the biggest deal of its kind involving a wholly British-owned company.

It is an example of a type *of transaction* which is increasingly firing the City of London's *imagination. Huge* sums are being mobilised to back management buy-outs of a size and complexity which would have been thought impossible a few years ago.

About £715m has been spent on management buy-outs in the UK so far this year, only just short of the total for the whole of the previous five years, estimates the accountancy *firm* Peat Marwick. Mr David Carter, partner responsible for co-ordinating buy-outs, believes that the total could reach £1bn by the end of the year.

The size at which they are taking place is also expanding. Thirteen buy-outs worth more than £10m have been completed so far this year, which *compares with an average of* £800,000 to £1.4m for last year's buy-outs.

Four specialist management buy-out funds have been launched since July—three of them in the past month—making available between them at least £432m in equity.

The total purchasing power they represent is, however, far greater. If the companies involved borrow three times as much as they *raise in equity*—par for the course in this year's *larger buy-outs — then those* four funds alone speak for *£1.3bn.*

The City's excitement over this increasingly fashionable phenomenon is tempered with disbelief from some quarters that there can really be enough latent buy-outs to absorb all that finance. Anxieties have been voiced over the consequences of heavy corporate borrowing and whether it would be in the venture *capital industry's* best interests to stray too far into an area *on the borders of its* mainstream activities backing *young companies.*

"The psychology is ahead of the business," admits Mr Jon Moulton, managing partner at Schroder Ventures, which recently launched a £72m fund. But he argues that the very existence of such a large pool of cash will prompt more British managers to consider the advantages of going it alone. Mr Moulton says: "If it is believed that these things can be done, then more managers will say to themselves: 'If the parent is going to sell our division, maybe we should buy it.'"

Others fear that the buy-out *market already risks getting out* of balance. Mr Ewen Macpher*son, director of 3i's City office* — the group finances at least half of Britain's buy-outs — *points out that a surplus of* money chasing a shortage of deals can *only lead to prices* being pushed up.

"If all those funds were actually made available, then rates of return woud be forced down," says Mr Macpherson. Mr John Botts, managing director of Citicorp Investment Bank, whose venture capital arm launched a £100m fund last month, believes that this has already begun to happen. Prices for buy-outs are being *forced up, he says,* because "everybody is trying to get into *unquoted situations and salt* away some performance for three years' time."

Management buy-outs are made possible by the purchasers' ability to use the assets of the business they are buying as security to borrow the acquisition price. For that reason, buy-outs tend—though not always—to include cash generative businesses, often in mature industries, with large assets which can be used to guarantee the debts.

Good examples include Mallinson-Denny, which ended *up with £82.5m of debt* backed up by just £22.5m of equity *after its buy-out, and Haden,* the recent building and engineering buy-out, which now has £60m of borrowings against £20m of share capital.

There is nothing new about *the anxieties over gearing* because high borrowings have always been a *feature of* management buy-outs. But the sums at stake have become substantially larger—and the Bank of England only recently made it clear in a speech by Mr David Walker, one of its directors, that it would not like to see the corporate sector's gearing rise to US levels. It is not unusual for US buy-outs to borrow nine *or 10 times more* than their equity bases.

There was a risk, warned Mr Walker, that a company saddled with high debts would find "its capability to make long-term commitments reduced." This was particularly true in the US.

A classic illustration is the progress of Purex Industries, a Californian maker of cleaning products, whose management launched in 1982 a successful $355.9m (£247m at today's exchange rates) cash bid shortly after a tentative approach from Esmark, the food, chemical and *garment group.* Purex found itself with roughly eight times more *debt than equity* and ended up falling into the arms of Greyhound, the transport and food group, for $264m early this year.

The only British group to have beaten off an unwanted bid in this way is the engineer*ing concern Haden, which* attracted the attention of Trafalgar House just as it was beginning to recover after two years of declining profits. Mr Philip Ling, Haden's managing director, admits: "Previously our idea of success was to expand and go for acquisitions. Now we are bound to consolidate our position and go for *cash generation and debt repayment.*"

But that is *not necessarily* a bad thing, he argues. "It may be a jolly good discipline to keep your head down. There is a lot of waffle talked about long-term horizons."

The surge in the number of buy-outs, meanwhile, presents the venture capital industry with welcome investment opportunities at a time when it is complaining that quality investment proposals — especially from start-up companies — are thin on the ground.

This could be unhealthy, warns Ms Sue Lloyd, managing *director of Venture Economics,* a research consultancy. "Large *management buy-outs are really* becoming an exercise in corporate *financing and moving* out of the venture capital world. If everybody moves up the scale, there is a danger that a gap will be left at the bottom end of the venture capital market," she says.

Not every venture capitalist would agree. Mr Ronald Cohen, chairman of the British Venture Capital Association, points out that less than a third of UK venture capital last year went to buy-outs, with the rest in expansion and early stage companies. Buy-outs are valuable *to his industry, he says,* because "anything we can do to make the *corporate climate more* entrepreneurial will benefit *us.*"

If British managers are becoming more entrepreneurial, that is not the only reason for *the growing popularity of* buy-outs. Many large corporations *now feel that they* need to pull out of peripheral activities and concentrate on their core businesses after years of expanding through sometimes hastily considered acquisitions.

The size of the deals being achieved has leaped into a new league this year *partly* in response to an array of increasingly sophisticated financing techniques being developed by the City. This is happening at a time when many banks are keen to build up their industrial loan portfolios, having burned their fingers in the Third World.

"*To be honest,* it's natural greed," says Mr Michael Stoddart, *chief executive* of Electra Investment Trust, which *manages with* Candover Investments a £250m buy-out pool, the biggest of its kind in the UK.

Returns can be quick because buy-outs tend to involve well developed *companies* with experienced management which can soon be *floated on the stock* market; indeed most of the recent *batch of* buy-outs have announced plans for a flotation *in the next few years.*

This has been the case in recent *flotation successes* like the Wardle Storeys plastics group, *Instem* Electronics, Sarasota Technology and Carborundum Abrasives, all of which went public last year and now stand at valuations many times their original purchase prices.

The four directors of Carborundum, for instance have seen the combined value of their (undiminished) *49.9 per cent* stake in the company rise from almost *£300,000 to £3.7m since* it was floated on the over-the-*counter market* early last year. Carborundum has swung from losses of £3.6m in the year to December 1983 when it was an unwanted subsidiary of Sohio, the US oil group, to pre-tax profits of £1.5m last year.

Its independence immediately eliminated £500,000 a year in central computer and insurance charges and left it free to raise outside funding *for* badly needed new plant. Sohio had *never been interested in* developing its abrasives business, *which it picked up almost* by accident as part of the acquisition in 1981 of Kennecott, the US copper group.

"*They just put* in enough money to keep the business going," says Mr Trevor Egan, Carborundum's chairman. The annual rate of capital investment has more than doubled to an average of £1.2m since the buy-out in January 1984.

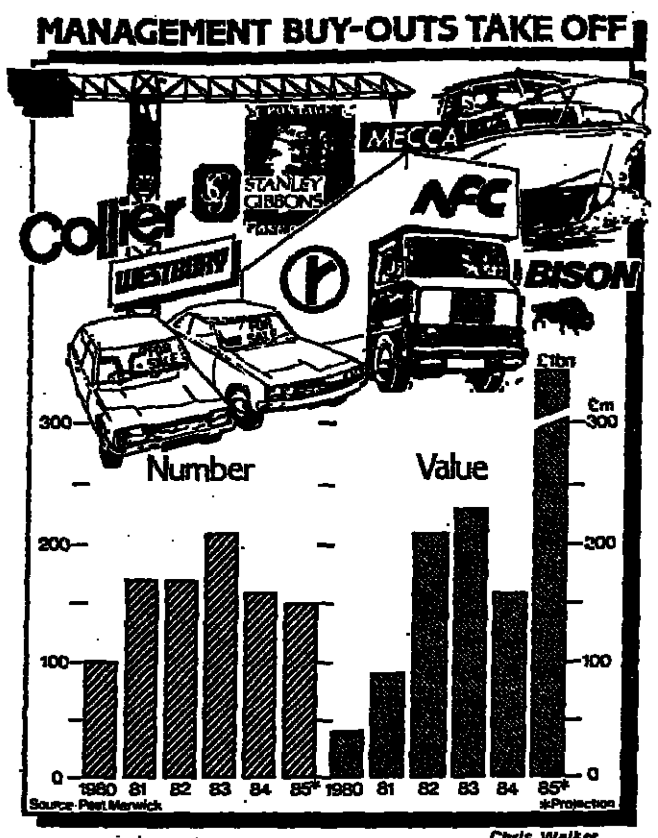
One reason why quick returns can be achieved in unquoted buy-outs, says Electra's Mr Stoddart, is that changes can be made much faster than would *be the case if there were a large* number of shareholders, none *of whom could exert much* individual influence over the company.

"Control lies with very few people, *so if action is needed,* action can be taken quickly. You *can make longer-term decisions* without looking at what will affect the share price," he says.

When Molins, producer of cigarette-making machinery, announced plans for a £50m buy-out in September, Mr Christopher Ross, its managing director, pointed out that the publicity quoted group would "benefit greatly from the confidentiality of being a private company."

Other large companies may follow the example of Molins. "We have seen the first signs that the buy-out market is about to take off," says one venture capitalist. Yet others are aware that fashions—even on this scale—can prove fickle.

Mr John Coyne, whose research at Nottingham University has made him a leading authority on buy-outs, warns: "It used to be a good negotiating ploy for management to *say that they couldn't pay any* more because the funds were *not available. Now that the* funds are available, vendors are going to get greedy. It will *only* take a few spectacular failures to bring the whole thing tumbling down."



Chris Walker

THE MAIN DEALS OF THE PAST FIVE YEARS

Year	Company	Purchase price (£m)	Sector
1981	Ansafone	14	telephone answering machines
1982	Stanley Gibbons	9	stamp dealer
	Victaulic	14	mechanical engineering
	Stone International	18	railway air conditioning
	First Leisure	44	leisure
	Natl. Freight Consortium	53	transport and storage
1983	SPP Group	9	fluid engineering
	English and Amer. Insur.	10	insurance
	Hugin	13	electronic point of sale and cash registers
	John Collier	30	menswear
	Timpson Shoes	40	shoe retailing
	Richard Shops	50	fashion chain
1984	Evans Halshaw	9	motor dealer
	DRI	14	computer peripherals
	Paragon Group	17	industrial conglomerate
	Simplex	28	electrical equipment
	Wordplex	28	office automation
1985	Bahco	9	hand tools
	Bison	10	civil engineering
	Willis Faber	10	insurance underwriting
	Alexander Howden	12	insurance underwriting
	Westbury Homes	12	housebuilding
	*Vosper Thornycroft	19	shipbuilding
	Wades	19	furniture retailing
	St Regis	32	paper and packaging
	*Molins	50	engineering
	Haden	56	engrg. and construction
	Reed Building Products	61	building products
	*Mecca Leisure	80	leisure
	Mallinson-Denny	90	timber products
	Mardon Packaging	173	*packaging*
	English Estates	—	property development

* Uncompleted deals.

Source: Peat Marwick.

Men and Matters

Amax cuts dig deep

The writing has been on the *wall* for some time at Amax, *the former* US mining giant. So the news that Pierre Gousseland, the French-born chief executive, is handing over the reins to the 52-year-old Alan Born does not come as a surprise.

While Gousseland will stay on as a non-executive chairman, and the company is describing the change as an orderly management transition, the general view on Wall Street is that the burly Frenchman has been ousted in a last ditch effort *to salvage the ailing mining* giant.

John Goth and Elwin Smith, Gousseland's two key subordinates said in September that they were taking early retirement. One Wall Street analyst likened the managed changes to "Shuffling the chairs on the *Titanic.*"

As Amax's losses have *mounted, and it has sunk* deeper and deeper into debt, Wall Street has been alive with rumours that the Amax board was preparing to give Gousseland, aged 63, his marching orders. With Amax shares bumping along close to their low of $10.50, Amax's shareholders have never forgiven him for turning down a $78.50 a share bid from Chevron at the height of the precious metals *boom four years ago.*

But the main criticism of Gousseland has been that he has been too slow to cut back the *mining empire he* inherited from Ian MacGregor, who went *off to make* money on Wall Street and later answered Mrs *Thatcher's call to help* her reshape British Steel and then *the National Coal Board.*

During MacGregor's ten-year *stint at the top the Amax group* expanded rapidly and borrowed *heavily on the expectation of* higher metal prices.

Since then, as commodity prices have fallen, Amax has *piled up losses of $1.6bn and* has seen its assets shrink from $5.5bn to $3.5bn. The group stopped paying a dividend earlier this year, has nearly halved its workforce, and has been selling off pieces of its business to placate its bankers.

Wall Street analysts are still wary about Amax's prospects. "The company is finally attack*ing its problems. If it* had not done so its bankers would have *forced it sooner or later,*" says one analyst.

Back marker

Julian Critchley, the controversial Conservative member of parliament for Aldershot, is more able than many members *of his party* and more articulate than most. But he seems destined to remain *on the back* benches as long as Mrs Thatcher remains party *leader.*

He has been far too independent and outspoken. And it is safe to say that his latest exercise in political commentary, an astringent look at the current state of the Tory party, to be broadcast tonight on the television programme World In Action, will *do little to improve* his prospects for preferment.

According to Critchley, the party has changed substantially from the "grand old days" of Macmillan, and it has not always been change *for* the better. . .

He says: "As Margaret went up in the world, so the party went down . . . the Military Cross gave way to Rotary Club badges. . . the knights of the shires have given way to the knights of the suburbs, including the estate agents, the accountants, and above all the *party professionals.*" Critchley's complaint seems to be that *there is less room* nowadays for the flamboyant and the *irreverent.*

Norman Tebbit and Jeffrey Archer, chairman and vice chairman *of the Conservatives,* both declined to take part in the programme.

In their place is Teddy Taylor, the aggressively working class Scot who regards Thatcherism as a crusade.

Davison's drive

Gerald Davison, aged 42, who sent Honda's British car and motor-cycle dealers into a spin when he quit abruptly as director of the importer's British operations recently, has left the motor industry

Having spent so much time *fighting off* newsmen as to why he quit Honda after 17 years' service he has now joined them —as managing director of the Jersey Evening Post newspaper.

Davison's role is not confined to the paper, however. He has joined the board of its parent W. E. Guiton, a fast-expanding *group in publishing, printing,* holiday and business travel, retailing and video.

Although he qualified as an engineer Davison's talents have been applied mainly in the sales marketing field for Honda. They were needed. Three years ago Honda was suffering a crisis of confidence with its dealers. Special deals to some retailers, *and other manifestations of* disorderly marketing, were the sub*ject of* widespread protests to Honda's wholly owned British subsidiary.

In a major management shake-up Davison effectively took charge of Honda's British business.

He is credited with having virtually single handedly put Honda's British house in order. Indeed such was the dismay of the dealers at learning he had quit that the dealer's council *leaders fired off a* Telex of protest to Honda president Tadashi Kume.

Davison still refuses to say why he quit. Honda will only say there was "a policy disagreement."

However; associates of *Davison suggest* he was concerned that Honda's future plans in Britain (to have Austin Rover build extra cars for it before manufacturing itself at Swindon) would embroil it in the problems of poor profitability being suffered by Europe's volume car makers.

Futures plans

Mary Lou Carrington from *Columbus, Ohio, made* her mark in the City of London as the First National Bank of Chicago's first lady. To be precise she was the first woman officer to be employed outside the US by the bank.

That was 11 years ago. She agrees that finance and banking have opened their doors a good deal wider to women since her *pioneer appointment.*

Now aged 40 she has just moved on from Frist Chicago, where she had become an associate director, to be measured for a blue blazer and become the new marketing director for the London International Financial Futures Exchange

Blue blazers identify the LIFFE staff. Wear any other *shade amid the colourful crowd* trading on the exchange floor and you are *quite likely* to find that in the courseof scratching an ear or sneezing you have *just* made a contract.

Mary Lou Carrington *studied* at Ohio University and the Sorbonne before taking a further degree at the European Institue of Business Administration, Paris.

At LIFFE she has a worldwide brief for her marketing team to build up the volume of the exchange business (now running at about $10bn daily in contracts). She plans a two pronged-campaign — using education into the uses for financial futures, and direct marketing to potential end-users for LIFFE in industry and commerce.

Observer

FOREIGN AFFAIRS

The past is prologue

By Ian Davidson

WE TEND to assume, as we approach the Reagan-Gorbachev meeting in Geneva next week, that East-West summits are a normal and a necessary ingredient in the diplomatic environment. They have acquired some of the mystique of an international security blanket, and prolonged deprivation gives us nightmares. From this perspective, next week's meeting is widely felt to be long overdue: the last such encounter took place over six years ago.

If we look at the post-war history as a whole, *regular* East-West summits have been the exception rather than the rule; those summits which have, in themselves, made a positive contribution to international peace and security, have been rarer still; and a few have made matters worse. With barely a week to go, it is hard to tell into which category the forthcoming Reagan - Gorbachev meeting will fall.

The *locus classicus* of regular and constructive summiteering — in fact the only example of the genre in the past 40 years — was the annual series of meetings between President Richard Nixon and General Secretary Leonid Brezhnev in 1972, 1973 and 1974, followed by a second summit in 1974, at Vladivostok, between Mr Brezhnev and President Gerald Ford.

It was this clutch of meetings, and these alone, which created the impression that East-West summits are a normal, an essential and a constructive part of the international circus. But in the totality of post-war history, this was an exceptional period, the period of so-called "detente."

After the Nixon-Ford group, the first summit was five years later, between Carter and Brezhnev in Vienna in 1979; and before it, the most recent such meeting had been the visit of Soviet Prime Minister Alexei Kosygin to President Lyndon Johnson five years earlier in 1967. And before *that*, you have to go back a further six years to the only other example of regular East-West summits: General Secretary Nikita Khrushchev's visit to President Eisenhower in 1959, the four-power meeting in Paris in 1960, and Khrushchev's meeting with President John Kennedy in 1961, none of which made a real contribution to international security. And before that, there was the four-power meeting in Geneva, in 1955, which produced equally little.

So it is a testimony to the power of wishful thinking and of the desire for peace that has enshrined the Nixon-Brezhnev meetings as the model for what ought to happen.

Yet, as a matter of fact, this wishful thinking, this desire for "peace" was just as strong in the cold war period of the 1950s as it was in the detente period of the 1970s and as it has remained in the 1980s. The first four-power meeting, in 1955, was an amiable affair with smiles all round, and gave rise to the popular idea of a "spirit of Geneva," which was regularly invoked in succeeding years to sustain optimism in the face of such buffetings as the crushing of the Hungarian uprising in 1956. But aside from a euphoria which was at least partly misleading, the conference produced little: it was too public, too cumbersome and too little prepared.

The "spirit of Geneva" reappeared four years later with Khrushchev's visit to the US, and was re-christened the "spirit of Camp David;" but it produced nothing but a commitment to hold a four-power meeting in Paris the following year. Yet that Paris summit collapsed in disarray when Khrushchev used the shooting down of the American U2 spy plane as a pretext for a violent tirade, political and personal, against Eisenhower.

The Vienna meeting the year after went off even worse, and with damaging consequences. Khrushchev took advantage of American humiliation over the Bay of Pigs fiasco to bully and threaten Kennedy over Berlin and the German question, and over nuclear testing: when Kennedy failed to hit back, Krushchev may have concluded that the new American President was a milk sop. At all events, this summit was followed within weeks by the building of the Berlin Wall and the resumption of Soviet nuclear testing on a massive scale, and within little more than a year by the Soviet gamble which led to the Cuba missile crisis.

In short, this period was not a reassuring advertisement for the virtues of East-West summitry, leading as it did from the vacuities of the "Spirit of Geneva" to the closest the world has yet come to a nuclear confrontation. Yet the sequence of events is in some ways rather puzzling. Nikita Khrushchev was probably at heart a man of peace, despite his bluster and his bullying; as the leader of post-Stalinist Russia and as the denouncer of Stalin's crimes, he was keen to crack the permafrost of the Stalin era.

But neither he nor his American counterparts were able to reach any kind of political accommodation; and it is significant that, apart from the Antarctic Treaty of 1959, there was no progress in arms control until the fright of the 1962 Cuba crisis prompted the Hot Line agreement between Washington and Moscow and the Limited Test Ban Treaty, in 1963.

Part of the explanation may lie in Khrushchev's temperament: too excitable for any long strategy, he may in some senses have been a reformer at home, but he was not a compromiser abroad.

But the real difficulty was that too many of the fundamental political problems of the post-war world were unresolved and apparently insoluble: the status of Berlin, and of Germany, East and West; the validity of the Iron Curtain and the Soviet empire; the relationship of Communist China to the Soviet Union and, most important, the international standing of the Soviet Union itself.

Unless *these* issues could in some sense be felt to have been settled, tacitly or explicitly, there was very little freedom of manoeuvre between Moscow and Washington. But the problem, from the point of view of US-Soviet summitry, was that none of these issues could be settled by the Americans. They could and did resist Soviet attempts to seek settlements by resort to force, as in the Berlin airlift; but they were not in a position to *agree* to the disposal of questions which more directly affected other governments.

Only Peking could settle its relationship with Moscow: total autonomy and some hostility. The Germans were essential for any settlement of the questions of Berlin and the two Germanies: that door was opened by Chancellor Willy Brandt and his *Ostpolitik*, in the late 1960s and early 1970s. The west Europeans were essential to any settlement of the Iron Curtain question generally: that issue was fudged in the 1975 Helsinki agreement.

But the greatest obstacle to any East-West accommodation in the 1950s was Moscow's nuclear inferiority to Washington. Krushchev's tantrums, and his Cuba missile adventure, were designed to compensate for or to circumvent that weakness. It was not until Moscow had attained nuclear parity with Washington in the late 1960s that the Russians were ready for any serious arms control negotiations with the US—or that the US was ready to reciprocate.

So, by the late 1960s, the preconditions for US-Soviet negotiations were in the process of being satisfied; and they coincided with the arrival in power of an American President who was openly committed, not merely to bringing an end to the Vietnam War, but to starting "an era of negotiation" with the Soviet Union. Moreover, Nixon and Kissinger also made it clear that on both fronts they intended to play a long game. Nuclear weapons negotiations started in 1969; soundings about a possible summit began as early as 1970, *but remained secret* and the process culminated with the finalisation of the SALT 1 and ABM treaties at the Moscow summit in 1972.

Even more important, in Moscow's eyes, was the conclusion at the summit of 12 Basic Principles, which asserted that the US and the USSR would conduct their relations on the basis of "peaceful co-existence." This code phrase has been a constant theme of public Soviet statements ever since 1956; its acceptance by the US in 1972 was taken as final endorsement of Russia's political as well as nuclear parity. But it is striking that the US, then as now, has attached much less importance to these Basic Principles, or to the Agreement on the Prevention of Nuclear War, signed at the 1973 summit.

So what of next week? It is arguable that history is irreversible; that superpower parity is an irrevocable fact; that nuclear proliferation permits no alternative to some version of peaceful co-existence; and that the modest achievements of arms control have created a corpus of agreements that must be preserved and improved upon, because electorates will demand it. Unless we are being duped by over-cautious spokesmen, there is little chance of progress in this direction next week; but progress will have to be made sooner or later, according to this view, because the alternative is so very much less attractive.

But there is an alternative view which looks, less cheerfully, back to parallels in the 1950s. Khrushchev emerged after the long frost of Stalinism, just as Mikhail Gorbachev emerged after the long Brezhnev era, and he too is proving hyper-active on the international stage — though he is for the moment adopting a much more serene posture.

In 1957, the launch of the Soviet Sputnik helped spur claims later prominent in Kennedy's election campaign that there was a "missile gap," and prompted America's Apollo programme; just as Reaganite hawks claimed that the Soviet Union had acquired a first-strike capability, as justification for massive re-armament, and are now citing Soviet research efforts as a justification for the Star Wars programme. And while President Reagan is no doubt personally sincere in his pacific view of Star Wars, there are figures in his administration who see it as a way to recapture the strategic superiority over the Soviet Union which America has not known since the 1950s.

Reports on the recent Moscow visit of Mr George Shultz, the US Secretary of State, suggest that the two sides have a long way to go before they can agree on anything significant, but also that his talks with Gorbachev got quite heated. The chances of anything important emerging from next week's meeting must therefore be rated pretty low. But does that mean that the summit will have to be written off as a "failure?" Not necessarily; but the verdict will lie with Mikhail Gorbachev, not with Ronald Reagan.

Gorbachev will have two options. He can keep right on smiling, claim great progress in mutual understanding, and plan to keep up the benign propaganda until another summit next year. Or he can throw a historic tantrum (à la Khrushchev . . .), blame Reagan as the obstacle to arms control, and plan to turn up the heat by malign propaganda. Reagan can hug his Star Wars to his bosom as much as he likes; he cannot determine Mikhail Gorbachev's reaction.

EAST-WEST MEETINGS

Date	Location	Participants	Purpose
July/Aug 1945	Potsdam	Truman, Stalin, Churchill, Attlee	Partition of Germany
July 1955	Geneva	Eisenhower, Bulganin, Eden, Fouré	Reunification of Germany
Sept 1959	Camp David	Eisenhower, Khrushchev	Berlin problem
May 1960	Paris	Eisenhower, Khrushchev, De Gaulle, Macmillan	Berlin problem
June 1961	Vienna	Kennedy, Khrushchev	Berlin problem
June 1967	Glassboro, New Jersey	Johnson, Kosygin	Middle East
May 1972	Moscow	Nixon, Brezhnev	Salt I, ABM limitation
June 1973	Washington DC	Nixon, Brezhnev	Detente
June/July 1974	Moscow/Yalta	Nixon, Brezhnev	Arms control
Nov 1974	Vladivostok	Ford, Brezhnev	Arms control
June 1979	Vienna	Carter, Brezhnev	Salt II
Nov 1985	Geneva	Reagan, Gorbachev	

Letters to the Editor

Master trusts

From the Managing Director, Abbey Unit Trust Managers

Sir, — Having spent the best part of two years in detailed discussions with the Department of Trade and Industry on the subject of "managed funds," can I voice an alternative "long view" to that expressed by Barry Riley (November 2) under the heading "Ministry lured into murky waters."

It is not clear where Mr Riley stands on the matter of turnover. At the outset he suggests "churned" funds as a better name, but later says that such a fund "is likely in practice to turn out to be distinctly undermanaged." What is however clear is that the DTI's safeguards have provisions to eliminate any financial gain to the management company by "dumping" units in a master trust or using it as a source of supply for external demand at favourable prices.

On the matter of internal conflicts between fund managers the requirement for dealings to be at the relevant asset value means that a master trust will deal at the same prices and with the same costs as it would by buying or selling the underlying securities direct. This also means that the activity of the master trust should not affect the unit price of an underlying fund, thus removing internal conflicts as well as protecting the interests of unitholders in all the underlying (and master) trusts. We have been dealing on this basis for institutions for some time, and have experienced no conflict between fund managers or between the management company and its unitholders. Citing Bernie Cornfeld's unregulated IOS offshore empire in an article about these new totally regulated authorised trusts seems a most unworthy comparison.

Mr Rilley states that "you can be absolutely sure you will get a double dose of costs." This is simply untrue in the cases of Abbey Master Trust, and the other two similar trusts launched so far, since none makes a further annual charge and only one initial charge is permitted under the regulations. So far as the general rule is concerned, advertisements must contain a clear declaration of the annual charges on both the managed fund and the underlying funds; so long as the investor is aware of the total annual charges, does it make any difference whether they are made up of one or two doses?

I accept there is room for genuine debate about the most effective way to manage a broadly based portfolio. But surely there can be no doubt that the "managed fund" method merits as serious a hearing as the idea of one manager covering all the world markets at the same time? It would be strange indeed to deny the application of different specialist skills to a single objective in such diverse fields as medicine, construction, and, for that matter, journalism.

Mr Riley also suggested that the DTI should attend to the "serious gap" left by the absence of no-load funds. The existing framework is already suited to such funds; our Abbey Capital Reserve Trust is, I believe, one of only two authorised trusts which has no initial charge. We have, however, little reason to think that there is a significant demand for such funds in the UK, notwithstanding their success in the US.

D. G. Glasgow.
80, Holdenhurst Road, Bournemouth, Hants.

Keep Sunday distinct

From Mr C. Townsend

Sir,—I was most disappointed to read your editorial "Rearguard of Sabbatarianism" (November 6). So many of the arguments it levelled against those who believe regulations on Sunday trading should be retained were based on misconceptions.

The majority of churchmen oppose unrestricted Sunday trading not on "austere" Sabbatarian grounds, but on the grounds that church and society benefit when one day in the week is kept distinct, special and largely free from commercial activity. Such a day provides space in the week for other priorities in life—the priorities of relaxation and recreation, friendship and family life, and the opportunity to worship without hindrance. The idea is that we are more than just economic agents and that the week should reflect this. Deregulation opens the door to a monotony which makes every day the same.

It is not true that the main objections to Sunday trading are based on bad economics. Anyone who has read the economic review by the Institute for Fiscal Studies knows that whether deregulation brings costs or benefits overall they will be relatively small. Consumer choice cannot in this instance guarantee the best economic outcome. The IFS notes that "The fact that shops choose to open on Sundays does not guarantee that the gains derived from greater consumer choice will offset the additional costs elsewhere."

The real case is a social one. Deregulation of trading hours will promote economic freedom but it will limit the freedom of people who work in retailing to give time to their families or their faith. Consumers have six days to shop already. Shopworkers have only one day to be with their families or at church. Is it fair to rob them of that one day?

Christopher Townsend,
114 Burton Road, Cambridge.

Improvements in grain

From Mr J. Teacher

Sir,—Improvements in grain varieties look set to exacerbate an already chronic problem. (Europe's food mountain November 4). Some plant breeding pundits predict that yields on even the most modest of soils should double over the next 10 years. In 1984 production of wheat and barley in the EEC outstripped consumption by about one half and one third respectively. Given static consumption this forecast means that in 10 years' time we will produce, annually, four times as much excess wheat and five times as much excess barley as we do at present. Subsidies at current rates will run into billions of pounds.

Such subsidies would be better channelled into the encouragement of hardwood timber production thereby returning much of the arable land to the high forest from which, many years ago, it was hacked. This would be happy news for those of us interested in conservation, landscape and the profitable use of resources of the countryside.

James Teacher.
Hadlow Place, Hadlow, Kent.

TV picture proposal

From Mr A. Witham

Sir, — I fear that your short report "TV picture decision nears" (November 5) may well mislead those of your readers who are unfamiliar with the proceedings of the International Radio Consultative Committee (CCIR).

Your report stated that "delegates from more than 50 countries and broadcasting organisations unanimously adopted a proposal for a single HDTV standard for studio production and international programme exchange."

In fact the proposal — formulated by Japan with support from the US and Canada—attracted so much opposition among the countries represented in Geneva that it completely failed to achieve the desired status of a "draft recommendation." It remains simply a proposal, with several specific and quite fundamental reservations on the part of countries in Europe and other parts of the world. Unless opinions change radically in the meantime, it stands little chance of becoming approved as a recommendation at the plenary assembly of the CCIR next May.

A. L. Witham.
(Assistant director of Engineering (Policy)), Independent Broadcasting Authority.
70, Brompton Road, SW3.

Caution over Channel link

From Mr J. Macdonald QC

Sir,—You are right to strike a note of caution (October 31) about a fixed link across the Channel. The EuroRoute proposal certainly has scale and glamour calculated to attract Disraeli's successor but its argument that its designs are well within the limit of proven technology should be set against the findings of the joint Government study group which reported in 1982.

The study group found that a bridge-tunnel-bridge scheme was the most problematical from the technical point of view.

Earlier this year EuroRoute changed the ventilation system it was proposing. Originally a rail tunnel was an essential part of its scheme because it was needed to ventilate the road tunnel. Now the rail tunnel has been relegated to the status of an afterthought and ventilation is to be provided via the two islands and one ventilation shaft in mid-Channel. When questioned about this EuroRoute was unable to point to any breakthrough in technology which has made the change possible.

There are other questions which have not had a clear answer. EuroRoute accepts that the bridges will be closed to highsided vehicles 5 per cent of the time, that is one day in twenty. It was unable to say what provision it was making for lorries to wait for the wind to subside. On speed limits it accepts that traffic will have to move close to the suggested maximum speeds in order to complete the crossing in half an hour. The more questions one asks the clearer it becomes that the project is being pushed through in indecent haste.

John Macdonald
(Alliance Prospective Parliamentary Candidate to Folkstone & Hythe).
12 New Square, Lincoln's Inn, WC2

FINANCIAL TIMES

Monday November 11 1985

Terry Byland on Wall Street

Ecu bonds on path to maturity

THE CHANGE of pace in the US debt markets, which relates as much to international currency prospects as to domestic interest-rate considerations, has opened up new challenges for US bond investors.

The prospect of a further slide in the US dollar on the foreign exchange markets, following the 15 per cent fall against principal currencies over the past 12 months, has heightened the attractions for dollar buyers of foreign-currency bonds.

But US fund managers and private investors have not always felt at ease with the difficulties involved in fixed-interest investment overseas. The Erisa (Employee Retirement Income Securities Act) pensions funds, for example, with around $26bn invested in foreign equities, have only recently begun to test the water in foreign bonds.

For many US investors, the complications of investing in European fixed-interest markets have stimulated interest in the growing market for bonds issued in New York but denominated in European Currency Units (Ecus).

In the wake of the Ecu 200m bond issued in New York by the European *Economic Community* in December 1984, that market has expanded to five issues, *totalling* Ecu 750m.

The attractions for US investors have been all too clear. Measured in dollar terms, returns on Ecu bonds have far outstripped almost all other international and domestic bonds so far this year.

The spread has already widened considerably since the Group of Five finance ministers' announcement and will widen much further

Bond	Returns in US$ Jan-Aug 1985
Eurosterling	31.5 per cent
Ecu	26.1
Euroyen	12.5
Eurodollar	11.9

if the Group of Five plan for the dollar achieves its object.

The handsome return illustrates the attractions of the New York issued Ecu bond as a currency play, for it is largely a reflection of the dollar's slide.

In terms of local currencies, Ecu bond returns are less dramatic, although still better than many straight European currency bonds. Back home in New York, Ecu bonds return only about 9 per cent, against about 10.5 per cent for US corporates.

Last year's fall in the dollar has concentrated attention on the currency side of the fixed-interest equation, said Mr John de Laurentis *of Merrill Lynch Capital Markets*. "In bond investment, US managers *must now look at foreign-exchange* factors just as European managers *look at interest rates*."

Unfortunately, outside New York *and the other important centres*, US funds do not always have easy access to *international investment* skills. Even at the Erisa funds, which may have *as much as* $250bn invested outside the US by the *1990s, according to Intersec*, the pension advisory consultant, international expertise *is concentrated* on the East and West Coasts of the US. Chicago's *skill* in *juggling* currency futures does not spread very far into the Midwest.

The Ecu bond reduces the currency *risk to a single factor, and eliminates* the need for detailed analysis of each European country. Not surprisingly, the US manager has preferred *to concentrate* the risk in New York's Ecu bond market.

"With his level *of sophistication*, he is better off with an Ecu bond than *with a straight currency risk*," comments Mr Robert Andres, vice *president of Merrill Lynch Capital* Markets, which is a leading market maker *in* Ecu bonds.

Will the Ecu bond market dry up *if the dollar does not fall, and currencies* cease to occupy the centre *of the Wall Street stage?* That seems unlikely, according to the *market specialists*.

That market has too many long-*term attractions to the borrower*. The international needs of US corporations *are likely to increase*, whatever happens to the dollar, and for US and foreign borrowers *alike*, the Ecu bond is likely to provide access to the massive outflows targeted for non-US markets by the Erisa pension funds.

Erisa investment in foreign bonds has gone from zero to $3bn and perhaps more in the past 12 months, and that is still a tiny proportion of the Erisa funds likely to go overseas in the next decade.

New York's Ecu market has travelled a long way in its short life. Ready quotations *are made* in $5m to $10m size, and secondary bond deals of Ecu 1m to Ecu 2m are easily traded. Ecu bonds show every sign of becoming permanent features of the New York investment landscape.

FOREIGN MINISTERS IN NEGOTIATIONS ON WIDE-RANGING REFORM

Urgent talks to streamline EEC

BY QUENTIN PEEL IN BRUSSELS

FOREIGN MINISTERS of the EEC member-states, plus Spain and Portugal, today begin an urgent three-week sprint to agree wide-ranging reforms to the founding Treaty of Rome, intended to streamline the Community and make it both more relevant and more democratic.

Two months of negotiations between top-level national officials have so far failed to bridge the wide differences between the *members*, not only on the form of such amendments *but also on whether they are* needed at all.

The *ministers* will *now be meeting* every week for three weeks *leading up to the EEC summit in* December in an effort to find com*mon ground acceptable to them all*.

Yet the process has been thrown *into some confusion by the an*nouncement in Bonn on Friday that *France and West Germany intend* to put forward ideas of their own to the summit on three of the key areas under discussion: technology, the *environment*, and *how to* speed up completion of a single common market.

The questions of how to incorporate EEC action on promoting high technology and protecting the environment into the Treaty of Rome are top of the agenda at today's ministerial conference.

Both subjects were the closest to a *consensus of any of the issues* being considered before the Franco-German *initiative* was *mooted after* last week's summit between President François Mitterrand and Chancellor Helmut Kohl.

The main disputes still to be resolved concern: how to streamline decision-making on the internal market; what increased powers should be given to the European Commission and the European Parliament; and whether extra powers are needed to promote economic development in the poorest member-states, such as Greece, Ireland and Portugal.

Britain, Denmark and Greece, the three member-states opposed to the whole *idea of a conference* to amend the treaty when it was voted through *at the Milan summit last* June, still reserve their position on whether most of the changes are necessary.

On the environment, however, the only real point at issue is *whether decisions should* be *taken* unanimously or by majority decision.

The Commission has proposed that "framework decisions" to decide the broad oultine of environmental policy should be unanimous. Thereafter, details should be decided by majority vote.

The UK argues that on environmental questions, it is the detail and not the outline that is most crucial and therefore still needs to be decided unanimously. Only questions of implementing such policies should be decided by a majority.

On the other side, West Germany *calls for majority voting* with an added requirement: that any mem*ber-state already more strict* on environmental questions must be part *of the majority, giving it an effec*tive veto right.

The most contentious issue to be considered today is the demand by Greece in particular for more specific commitments to "cohesion," or helping the poorer states to catch up the richer.

Greece *wants to link such* action to faster progress towards a unified internal market. *Most of the nor*thern states, such as Britain and West Germany *adamantly oppose* any commitment that means more *money being paid out*.

On technology, the member-states agree that more needs to be done to underpin European research and development, but the exact form and wording is still under discussion.

Luxembourg, the smallest EEC member, in the invidious position of chairing the conference, will be urging the ministers to reach broad agreement on these issues, so that the momentum can help to resolve the issues of the parliament's powers, and decision-making on the internal market before December.

European high-technology co-operation, Page 18

Fabius rebuffed at convention

BY DAVID HOUSEGO IN PARIS

THE FRENCH Socialist Party sought to distance itself further from the right-wing opposition at the weekend at a convention called to finalise the party's programme and its list of candidates before the March parliamentary election.

The emphasis on socialist values at the meeting was a rebuff to Mr Laurent Fabius, the Prime Minister, who had shocked many of the rank and file for failing to mention the word socialist in his television debate with Mr Jacques Chirac, the leader of the neo-Gaullist RPR party, *a fortnight ago. Mr Fabius was* not present at the two-day convention.

But, reflecting the dull performance he gave in the TV debate, his popularity plunged five points in the IFOP public opinion poll published over the weekend, with only 33 per cent of those questioned expressing confidence in him.

It was Mr Michel Rocard, now one of the front runners as the Socialists' next presidential candidate, who most exploited the Prime Minister's discomfort by arguing that the party should fight the campaign on socialist values. In face of the right's aggressive free-market economics, he told the conference, "socialism still has much to offer France."

Mr Rocard is in a strong position to take this "pre-socialist" line, in that he was the moving force behind the party's recent shift towards *making industrial* competitiveness the heart of its economic programme.

The election manifesto as it is now emerging *reflects* the increasingly social democrat credo of the army. It combines priority for reinforcing economic competitiveness with measures to protect the more vulnerable members of society through a "minimum social wage" and special assistance for those affected by industrial restructuring. In contrast to the emphasis on nationalisation in the party's manifesto before the 1981 presidential campaign, the draft programme sets out the possibilities for nationalised companies to spin off their subsidiaries.

None the less, Mr Jospin in his closing speech to the convention spelt out what for the Socialists will be a chief theme of the campaign when he spoke of the rift between left and right. "The right is more right-wing than ever," he said. "We should be no less to the left."

He listed nine areas – including social security protection, the role of the public sector, immigration and taxation – where there were wide differences between left and right.

Japan 'unfair to EEC liquor'

BY LISA WOOD IN LONDON

JAPANESE taxes on alcoholic drinks are discriminating against *EEC products, especially scotch* says a report published today by the European *Commission*. The report, prepared for the Commission *by PA International, the management* consultants, also criticises the whisky producers.

"Unless the industry is also prepared to be more *aggressive, innovative* and flexible in its future work in Japan, there is a very *real* risk that the potential advantages from improvements on the regulatory front could be frittered away," says the report.

Japan is the Scottish whisky industry's third biggest single market and scotch is the largest single product exported from the UK to Japan.

Since 1979 scotch sales in Japan have fallen by more than a third and its share of the spirits market has gone down from 10 per cent to 6 per cent.

The report follows a study of EEC liquor and wine exports to Japan undertaken because of what it calls "considerable and long-standing dissatisfaction" by European exporters about the relatively low level of market penetration.

Its conclusion will strengthen growing European anger over Japanese *tariff* barriers.

Changes in the Japanese liquor *market*, including an increase in female drinkers and a trend towards *lighter drinks of lower* alcoholic content, have contributed to the fall in whisky *consumption, the report* says.

However, there *is* "substantial evidence," that Japanese regulations, *including* the *unique liquor tax system* on imported drinks, and certain *import* duties *has* undermined imports. Parallel imports – sales by third parties not directly *linked* with the manufacturers – had also had a negative effect, causing price instability.

The report says that, *for example*, the minimum rate of taxation on scotch whisky is 41 times the rate of that on shochu, a lighter and less alcoholic Japanese spirit. Overall levels of Japanese duty on bottled imports are between three and 10 times higher than the EEC's equivalent duties.

Japanese liquor tax law has three grades for whisky, which favour domestically produced whiskies.

The Scotch Whisky Association said yesterday: "The report echoes *what our industry* has said *for* many years about the sharp *discrimination against scotch in fa*vour of inferior Japanese products. We will be urging the British Government and the EEC to continue *their efforts to persuade the Japa*nese Government to introduce a more *favourable* system of taxation."

It is understood that Mr George Younger, Scottish Secretary, has, since *his return* from a recent visit to Japan, urged his government colleagues to press the Japanese on the issue.

Wellington to open up banking system

By Dai Hayward in Wellington

NEW ZEALAND is to lift all restrictions on its banking system to allow various financial institutions to operate as banks.

Announcing the measures, Mr Roger Douglas, the Finance Minister, said there would be no limit on the number of banks, local and foreign, that could be set up in New *Zealand. There would be no dis*crimination against foreign-owned banks. *The Government would* allow any institution to operate as a bank so long as it had an issued capital base of NZ$30m ($17.5m) and a fully paid-up capital of NZ$15m. Mr Douglas said the institutions had to show "demonstrable banking expertise" as well as having "good standing in the financial community."

The moves announced end the *dominance* of the four large trading banks. Mr Douglas said "it would be *illogical to fear the entry of foreign* banking organisations when three *of the four established trading* banks are overseas-owned and play *major roles in our financial life*."

Westpac Banking Corporation and the Australia and New Zealand Banking Corporation have foreign participation. The Australia and National Bank of New Zealand is 100 per cent owned by Lloyds Bank International. The only New Zealand-owned bank, the Bank of New Zealand, is state-owned.

The Minister's statement is the latest step in a series of deregulation moves taken by Mr David Lange's Labour Party since it returned to power in the middle of last year.

The moves began with the granting *of foreign exchange* licences and have since included the aboli*tion of exchange controls and the* floating of the New Zealand dollar.

THE LEX COLUMN

Swallowing the bitter pill

The time when foreigners were afraid to mix it in the first divisions of the Wall Street takeover game is definitely over. Where ambitions were previously limited to the pursuit of sleepy targets and the sealing of comfortably agreed deals, companies with their base in Europe – Unilever and Hanson Trust – have recently shown themselves willing to mount billion-dollar hostile bids. Encouraged by commission-hungry investment banks, outsiders have realised that Wall Street still harbours a lot of undervalued assets, well worth a substantial bid-premium to the right buyer. To jump at this tempting bait nevertheless exposes the interloper to unfamiliar and difficult local conditions.

Litigation

Apart from anti-trust hazards, the principles of US corporate and *securities legislation apparently* gave managers great latitude to exercise *"business judgment"* in the defence of their independence, *while the process of tendering for* shares exposed a bidder to the onerous *disciplines of the SEC*. Famously, the American corporation has been *legally able* to protect itself with a pharmacopaeia of poison pills, shark repellents and *solvents* for the crown jewels. No point in setting foot here without the most expensive advice that New York's investment banks and legal specialists can provide.

Yet the trend of judicial interpretation, blurred though the message may be, has started to run broadly to the advantage of bidders, where this is seen as being in the immediate financial interests of shareholders. Recent litigation may significantly have weakened the defences of unwilling takeover victims, and some cases that may be pivotal in future takeovers have been won by non-US aggressors.

Thus it was Unilever that gained a ruling to prevent Richardson Vicks from making a selective issue of heavy-voting stock which would have kept voting control within the defending Richardson family; discrimination within a class of shareholders, allowed to Unocal in beating off Mr T. Boone Pickens, now seems to be out of favour. Again, it was Hanson, in between two general tender offers for SCM, that obtained the freedom to buy a large block of shares in the market from a small group of professional investors; a careful bidder may apparently now buy control of a company very quickly, so long as the shares are delivered by sophisticated speculators.

Nor are these the *only* changes that seem to be making life harder for the *besieged. The form of* scorched-earth tactics which involves selling your most *attractive* assets to third parties if a hostile *bid seems likely to succeed* – the "crown jewel lockout" – has been under attack in a number of *this au*tumn's leading cases. Verdicts are still awaited in the Hanson/SCM trial and the case of Household International. But the failure of Revlon to argue for such a lockout to the satisfaction of the Delaware courts looked to many experts like the beginning of the end.

Revlon was prevented *from* selling assets to frustrate the ultimately successful bid from Pantry Pride on the argument that the Revlon directors had failed in the duty to get a fair price for the company. In essence, their crown jewel defence was quashed because it would have prevented Revlon shareholders from accepting the higher bid in an auction. Since the company was about to be dismembered by whoever gained control, the lockout agreement could scarcely have been presented as a device to raise the longer-term value of a Revlon share above the competing cash offer.

The demise of these anti-takeover devices may not permanently have shifted the odds in favour of bidding companies. Their original justification was to prevent shareholders from being *stampeded* (or losing out) in creeping tender offers, greenmail, and other types of assault on companies with shares standing at a discount. Their current failure in the courts need prove no more than the obvious; judges can see that shareholders need to be protected as much from their own professional managements as from incoming asset strippers.

Competition

Until the judicial pendulum swings back, or the supply of underpriced *assets is exhausted*, takeovers will presumably remain a rewarding game. Since some long-dreaded legal barriers are apparently being *hauled off their path* into the acquisition of US companies, the Europeans have *now to decide* if they are prepared to compete with American-raised corporate raiders. Both in style and price, Hanson Trust has been showing itself prepared to take up this challenge, just as Unilever appears to have thought better of it.

In order to win an auction in the US, *it is necessary to make* billion-dollar decisions on the spot, and be prepared *to raise the stakes* as far as the zany logic of leveraged deals requires. *The possibility that such* logic may lead others to disaster, when a generation of overgeared buy-outs meets the next recession, is poor consolation to an underbidder. What the Europeans must resolve – perhaps Unilever did not – is whether free-auction prices are less of an obstacle than the porcupine legel defence.

Reagan may propose yearly summit plan

Continued from Page 1

Mr Shultz denied that the Admin*istration had first raised and then* lowered expectations for the sum*mit. He insisted that the US ap*proach had been "realsitic" all along and *that Washington* had recognised the great differences between *two countries from the start*.

Privately, however, US officials *admit that expectations are being* played down so that the outcome *will not be regarded as disappoint*ing, and any agreements that do *emerge will be seen as a plus for Mr* Reagan.

Meanwhile, a potential source of irritation appeared to have been removed when the Soviet freighter Marshall Konev was allowed to leave US waters, carrying a young Ukrainian seaman who apparently tried to defect to the US at the end of last month and then changed his mind under Soviet pressure.

The US Coastguard let the vessel sail into international waters without interference, despite an outcry in Congress over the Administra*tion's handling of the case*, and the issuing of a subpoena for the sailor by a *Senate committee last week*. Mr Shultz strongly defended the decision to let the ship go, saying that the US authorities had conducted a careful and intensive investigation to satisfy themselves that the sailor wanted to return to the Soviet Union of his own free will.

Fears on UK tax cuts

Continued from Page 1

total of £139bn by *expanding* privatisation. Ministers have been put on the defensive by Lord Stockton, formerly Mr Harold Macmillan and a *Conservative Prime Minister*, who on Friday compared such disposals *to the sale of Georgian silver* and Old Masters by a country estate in *difficulties*. Both the *Prime Minis*ter, tonight, and Mr Lawson, in the *Commons tomorrow*, are *expected* to defend privatisation though *neither is likely to mention* Lord Stockton by name since he has the *status of a venerable, if mischievi*ous elder statesman.

Indeed, Mr Peter Walker, the Energy Secretary, was careful in a weekend *speech* to distance himself from the latter's views on privatisation and so, to avoid charges of *disloyalty*. Mr Walker, a strong person*al supporter of* privatisation, rejected the comparison with selling the *family silver. Instead, he said, it* was "transferring the silver from *the politicians and the civil* servants to the family."

Ministers will attempt to brush *aside Lord Stockton's remarks* as an old man's teasing and argue that the *money raised by privatisation* is being used to finance additional *capital investment in hospitals*, roads and housing.

Washington rolls out red carpet

Continued from Page 1

at the White House clad in a colour known locally as "Nancy Reagan Red," the postbox red worn by reporters at presidential news conferences if they want to be sure of catching Mr Reagan's eye. Mrs Reagan, fortunately, had opted for beige.

By yesterday, the sometimes carping analyses of the decline of British imperial power which have featured in American newspapers in recent days had been replaced by tributes to Anglo-American kinship. The Washington Post fondly recalled that Henry I had required his hosts to wash his horses' hooves in their best wine – a tradition, it said, unlikely to be insisted on when the royals visit Virginia horse country.

The only grumbling appeared to come from the British press corps, who shocked some of their US colleagues with their roughness. "They speak so cultured and act like animals," complained one shocked American reporter.

British journalists *mumbled that* the whole visit was wrongly conceived, *that the royals should not* have been so closely identified with *big money* and the aristocracy.

But the last word went to Mr *Michael Shea*, the Buckingham Palace spokesman. "Those who want to be apathetic... we'll leave them to their apathy," he said.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	24	75	Dubrovnik	S	18	64	Malaga	S	24	75	Salzburg	R	11	52
Akrotiri	S	21	70	Faro	S	19	66	Malta	—	—	—	Seoul	C	5	41
Algiers	S	31	88	Florence	C	22	72	Manila	C	33	81	Singapore	R	30	86
Amsterdam	F	6	43	Frankfurt	F	12	54	Miami	C	27	80	Stockholm	C	8	46
Athens	C	20	68	Funchal	S	23	73	Milan	R	9	48	Strasbourg	R	12	54
Bahrain	S	29	84	Geneva	R	11	52	Moscow	C	3	37	Sydney	S	23	73
Bangkok	S	33	91	Gibraltar	S	23	73	Munich	R	9	48	Taipei	F	20	68
Barcelona	S	24	75	Guernsey	F	7	45	Nairobi	C	26	79	Tangier	S	27	81
Beirut	R	20	68	Helsinki	R	8	46	Naples	S	20	68	Tehran	—	—	—
Belgrade	C	20	68	H. Kong	S	23	73	New Delhi	S	25	77	Tel Aviv	F	20	68
Berlin	C	11	52	Innsbruck	R	11	52	New York	C	17	63	Tenerife	—	—	—
Biarritz	C	13	55	Inverness	Sn	1	34	Nice	S	19	66	Tokyo	F	20	68
Blackpool	S	5	41	Istanbul	S	14	57	Oporto	R	13	55	Toronto	R	6	43
Bordeaux	C	13	55	Jersey	R	5	41	Oslo	C	4	39	Tunis	S	25	77
Brussels	R	8	47	Jo'burg	F	18	66	Paris	C	8	46	Valencia	S	27	81
Budapest	C	12	54	Las Palmas	S	25	77	Prague	F	11	52	Venice	C	11	52
B. Aires	S	25	77	Lima	S	20	70	Reykjavik	C	2	36	Vienna	C	11	52
Cairo	C	22	72	Lisbon	C	17	63	Rio de J'o	S	30	86	Warsaw	F	13	55
Cape Town	S	25	77	Locarno	R	8	46	Rome	F	21	70	Zurich	R	9	48
Caracas	C	28	82	London	S	6	43								
Casablanca	S	31	88	Los Angeles	R	19	66								
Copenhagen	R	7	45	Luxembourg	C	6	43								
Corfu	—	—	—	Madrid	F	18	64								
Dublin	S	4	39	Majorca	S	24	75								

Readings at mid-day yesterday:

C–Cloudy D–Drizzle F–Fair Fg–Fog R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

SECTION III

FINANCIAL TIMES SURVEY

For the past 15 years the development of Oman has been fuelled by oil revenues and directed by Sultan Qaboos. It now has to face the challenge of lower world demand for oil and the evolution of its political system.

Contents

Editorial production: Michael Strutt; layout: Phil Hunt

OMAN

Individualist state comes of age

By ROGER MATTHEWS, Middle East Editor

OMAN THIS month is announcing its coming of age, just 15 years from the date on which it claims to have been re-born.

The capital, Muscat, is by night ablaze with millions of pulsating light bulbs forming butterflies, flowers and oil tankers. Everything that can be painted has been re-painted. New pavements have been laid, old ones re-laid. Grass is sprouting where grass has never grown before.

Dozens of American technicians are mounting a spectacular laser show across the beautiful deep-water harbour guarded by its Portuguese-built forts where Midshipman Horatio Nelson came ashore nearly 200 years ago.

It is an extravaganza such as Oman has never witnessed and one which will warrant a special category in this year's national budget. The cost, however, is clearly less important than the message and the people at whom it is directed.

The message, simply, is that Oman has arrived. It now lays claim to be a modern, independent state, politically stable and capable of defending itself militarily in a hazardous and strategically vital area of the world.

As the heads of state from the other five members of the Gulf Co-operation Council (Saudi Arabia, Kuwait, United Arab Emirates, Bahrain and Qatar) gathered in Muscat for their annual summit last week, they were supposed to understand that if Oman was still different it was from choice, not because the Sultanate was any longer the poorest, least developed and most isolated of the Gulf oil-producing monarchies.

For many Arabs and no few Omanis the new image is not easy to grasp. Only 15 years ago the city gates of Muscat were shut at dusk and any pedestrian venturing on to the street had to carry a lantern.

There were literally only a few miles of road in a country the size of Great Britain, school places for fewer than 1,000 children and scarcely any medical facilities. Omanis with the slightest hint of ambition left the country.

They understood that it was not by accident that Oman rejected the modern world. Rather it was the policy of Sultan Said bin Taimur, who had ruled the country since 1932 with a single-minded indifference to the material needs of his people and to the momentous political events which had taken place elsewhere in the Middle East.

By 1970 the southern region of Dhofar was in revolt. Its capital Salalah was under threat and the insurgents were receiving increasing support from the revolutionary regime in neighbouring South Yemen following Britain's withdrawal from Aden three years earlier.

Only then did Qaboos bin Said, ex-Sandhurst and the Cameronians, move against his father. The dutiful, 30-year-old son, who after his education in Britain returned home to an unexpected four years of virtual house arrest imposed by his father, seized power with some discreet but effective assistance from a Sandhurst friend who was still serving in the British Army.

The old Sultan shot himself in the foot with a German machine pistol while trying to resist, the only blood to be spilled during the takeover. He was flown to London where he died two years later in his suite at the Dorchester Hotel without seeing his son again.

If Qaboos had not moved when he did there is little doubt that Western interests would have somehow forced a change in the leadership. Oman, with its 1,700 kilometres of coastline, underpins the Arabian Peninsula. In hands hostile to the West it could both seek to subvert Saudi Arabia and exercise a powerful influence on the freedom of shipping movement through the Strait of Hormuz.

Oman is now in at least the second division of major oil producers . . . one of the very few to have increased its total sales revenues

But under the leadership of Qaboos, the Government not only carried out a classic "hearts and minds" campaign in the south to win over the rebels, but also succeeded in attracting back to the country its more capable dissidents, some of whom now hold Cabinet rank.

The Oman which has emerged since the war was won in 1975, now bears comparison with the other monarchies of the Gulf which from a much earlier stage in their development started using oil revenues to build a modern infrastructure.

The capital area of Muscat is linked by motorways which cut impressively through the mountains that separate one conurbation from another. The architecture is modest by Gulf standards, dominated by the ubiquitous theme of the crenellated fort. The desire for ostentation is more clearly present than three years ago, but has not been allowed to take over.

Because Oman was a late entrant to modern development, it believes it has been able to learn from the mistakes of others. The extravagance of a few projects, can, just, be explained by the need to provide for future generations. Nothing yet clearly wears the "white elephant" label.

However, although Muscat creates a positive and powerful initial impression, there is no disguising that its achievements to date and its future development rest on finite assets: oil and Sultan Qaboos. The dominance of each in the economic and political life of the country respectively has become more emphatic during the past 15 years. Omanis will speculate, unconvincingly, about life after oil: they find it just as difficult to conceive of Oman without Qaboos.

For the foreseeable future Oman's economy will remain oil-fired, the prime reason why the Government has been experiencing difficulties in finalising the Third Five-Year Development Plan originally due for publication before the end of 1985.

More than 90 per cent of Government revenue comes from the sale of oil and there are few officials in Muscat who would care to hazard what price a barrel they will be able to charge by the middle of next year. So far Oman has been able to insulate itself from world trends, at least in terms of volume, if not in price.

It is not a member of the Organisation of Petroleum Exporting Countries but claims, limply, to support the broad lines of its policy. Nor is Oman a member of the Arab Opec, an odd absence given the Sultanate's participation in the Gulf Co-operation Council.

The reason is simple. Oman, at a time of declining world demand for oil and restraint shown by other producers, has been doing everything to maximise its output. It must be one of the very few producers in the world this year to have increased its total sales revenues.

The explanation provided by Omani officials is equally simple. Oman has come late to the market and unlike its other Gulf brothers did not enjoy those halcyon days during which financial reserves mounted inexorably despite heavy spending on infrastructure and development. The Sultanate, they say, is still the poor relation of the Gulf and is not cushioned by the billions of dollars in reserve enjoyed by countries such as Saudi Arabia and Kuwait.

However, Oman is now in at least the second division of the major league producers. Production is currently running at about 500,000 barrels a day and there are plans for a further 100,000 b/d increase in 1986 if there is a further softening in world prices.

So far Oman's Gulf partners have shown no signs of irritation but the sight of Muscat in such extravagant celebratory mood must surely raise questions about the requirement for any further concessionary aid.

On the other hand Oman's entrepreneurs are expressing very pointed irritation at the extent to which GCC tariff agreements are damaging the growth prospects of the country's few fledgling industries. The Saudis are being accused of dumping cement on the Omani market and there are fears that whichever of the narrow industrial avenues Oman seeks to explore it will find other Gulf countries already established and with excess capacity.

The Minister for Industry wishes to tell Sultan Qaboos by the end of this year just what the industrial picture will be like in 20 years' time. The answer has to be only marginally encouraging in terms of what it can add to gross domestic product. Oman may have some small success in import substitution but its estimated 1.1m population and its relative lack of raw materials dictates that industry can never be any sort of replacement for oil.

The same is almost certainly true of agriculture and fishing. Over 50 per cent of the active population is involved in these sectors but productivity and pricing is such that farm workers are easy prey to the magnetic pull of better wages and more comfortable living in the cities.

Omani officials are well aware of the trend but such has been the imbalance of development between city and rural areas in the past decade that a great deal of damage has already been done and there is little short-term chance of reversing it.

The difficulties are unfairly exacerbated by Sultan Qaboos's determination to avoid creating a society which becomes dependent on state subsidies and a cradle-to-the-grave welfare state. Omanis are not impressed by Saudi Arabia becoming self-sufficient in wheat — at seven times the world price — or for offering would-be industrialists such generous incentives that the final price of an item in no way reflects the actual costs of production.

It is a dilemma which no country in the Gulf has been able to resolve and although the will in Oman appears stronger, the available solutions are equally limited.

But if economic diversification is a challenge so, too, is that of achieving of a wider political base. Sultan Qaboos is the absolute power in the country, combining the roles of Head of State with those of Prime Minister, Defence Minister and Foreign Minister. Ministers tend to be responsible individually to Qaboos rather than collectively through the Government.

Such a system apparently worked well immediately after 1970 when there was a war to be won and a range of major decisions to be taken rapidly. However, it has not evolved subsequently at anything like the pace of the country's physical development.

The British presence has an effect on foreign policy though it appears to reinforce Sultan Qaboos' own views rather than seek to impose new directions

The effectiveness or power wielded by an individual minister tends to relate closely to his rapport with Sultan Qaboos, rather than to the weight of argument which he can marshall in Cabinet. And because, in common with other Gulf countries, ministers are also free to work in the private sector, little has been done so far to define what is an unacceptable "conflict of interest."

The result has been that a few ministers and several Omani companies have benefited enormously from the country's development to the point where it is becoming a topic of public discussion. Sultan Qaboos attempted three years ago to have a law drafted which would have limited the extent to which officials could benefit from government contracts but it was never enacted. A further attempt is expected to be made soon, in part to head off further criticism which could accompany a downturn in the economy over the next couple of years.

The problem of Western concepts, such as conflict of interest, is that in the Gulf monarchies they sit very uneasily alongside the ruler's traditional power of patronage. While Sultan Qaboos has totally reversed his father's attitude towards the development of Oman, he nonetheless relies still on some of the more traditional methods of exercising power.

Salaries remain a small part of the rewards an official at senior level could expect to receive. Gifts of land is a popular way of expressing approval; director-generals in ministries recently received a £100,000 bonus to mark the 15th anniversary celebrations.

Sultan Qaboos continues to make one or two lengthy visits to the rural areas each year where he listens to complaints from tribal leaders and dispenses largesse. Expatriates who have served the Sultan well have, without any formal contractual arrangement, been content to rely on traditional Omani generosity in lieu of a pension.

It is a system which has apparently worked well over the years and has particularly contributed to the speed with which major public works projects have been completed during the past few years. However, it is also a system which is bound to come under increasing strain as the country becomes more sophisticated, as more Omanis enjoy higher education, and as the power of the individual slowly gives way to that of the institution.

The only attempt to widen popular participation in government so far has been through the creation of the State Consultative Council, a modest body of appointed members which listens to complaints and, in the words of its President, "finds a reasonable solution in case the Government has missed something." Every solution proposed by the Council has to date been accepted by Sultan Qaboos.

A US House of Representatives' Foreign Affairs Committee report in 1981 pointed to "the absence of increased opportunities for political participation" as one of the negative factors affecting domestic stability in Oman, but it tended to give as much weight to "the lack of an heir to succeed the present Sultan." Undoubtedly it is the most sensitive political issue in the Sultanate.

Sultan Qaboos was briefly married in 1976 but has no children and has yet to make a decision on the line of succession. There are again rumours in Muscat that he may decide to re-marry, or choose his 45th birthday next week to nominate a Crown Prince. If he opts for the second course, the most likely choice would be Fahed bin Mahmoud al-Said, the Deputy Prime Minister for Legal Affairs.

But in the meantime some senior Omanis are fearful of the power vacuum which could arise, especially if the royal family was unable to agree quickly among themselves on the nomination of a successor. Elsewhere in the Middle East the military almost certainly would prove to be the arbiters, but in Oman this poses particular difficulties because the Chief of the Defence Staff, and the heads of the Air Force and Navy are all British subjects.

"Although not generally regarded as an indigenous ethnic group, British residents in Oman have nevertheless exerted a certain influence on Omani society," was how J. E. Petersen described this unusual phenomenon in his book "Oman in the Twentieth Century."

That "certain influence" shows itself not just in military personnel but in the police and security services, in government ministries, in a range of advisers, in education, in civil contracting, in entertainment (Cilla Black to sing, Steve Davis to play snooker, Eric Bristow to throw darts) and, perhaps most welcomingly to the British Government, in a stream of contracts which provides for a very positive balance of trade.

It is inevitably difficult for a Briton talking to Omanis to gauge whether the extent and depth of the relationship causes resentment. But, even if it is not a cause of great concern at the moment, it will certainly become so in the future unless the official policy of "Omanisation" is pursued with rather more practical effect.

Progress is being made (the Finance Ministry, for example, is substantially Omani) but there is also a parallel tendency for newly-promoted Omanis to appoint an expatriate adviser, thereby negating the purpose of the initial promotion.

The size of the British presence in Oman obviously has an effect on foreign policy, although it would appear to reinforce Sultan Qaboos's own views rather than seek to impose new directions. Officially, Oman is non-aligned, an attitude recently reinforced by its decision to become only the second member of the Gulf Co-operation Council to establish diplomatic relations with the Soviet Union.

In practice, Oman leans heavily towards the West providing the US with facilities for the Rapid Deployment Force at three of its bases, including the right to pre-position supplies.

The Soviet move had been two years in the planning and was neatly timed to precede the GCC summit in Muscat. Saudi Arabia has been considering similar action and by getting in first Oman was able to demonstrate again that at least in foreign policy issues it is very much its own master.

It showed precisely that in 1978 and 1979 when it first refused to condemn the visit by President Sadat of Egypt to Jerusalem and then declined to join the Arab boycott of Cairo once the peace treaty with Israel was signed. And when President Reagan took over in the White House determined that his top priority in the Middle East was a "strategic concensus" to defeat Soviet expansionism, Sultan Qaboos alone among the Gulf states answered with practical effect.

Similarly, it was Qaboos who was out of step at the first summit of the GCC when he insisted that defence and security should top the agenda in response to the regional threat posed by the war between Iraq and Iran. The Sultan has since had the satisfaction of watching the other five states come round to his point of view with the creation of a Gulf Rapid Deployment Force and much closer co-operation on security matters.

The need for a "balanced" foreign policy supported by a strong defensive capacity is explained by Omanis in the light of their own 15-year experience. It had begun with Iranian troops on Omani soil helping to defeat a Communist-supported insurgency. It has ended with theoretically hostile Iranian troops just across the Strait of Hormuz and a regime in Tehran which appears as uncompromising to the Gulf monarchies as it is to the Soviet Union.

The Omani dagger with two crossed swords—symbol of the State of Oman

Muscat has been careful to maintain relations with the clerical regime in Iran while nominally supporting Iraq. Few people in senior positions in Muscat anticipate an early end to the Gulf War, now in its sixth year, and the Government has been careful to avoid naval confrontations in the Strait of Hormuz where it operates the traffic separation scheme within its own territorial waters. With the Iran Navy increasingly stopping vessels entering the Gulf in order to examine their cargoes, the onus of avoiding an incident appears to rest heavily with Oman.

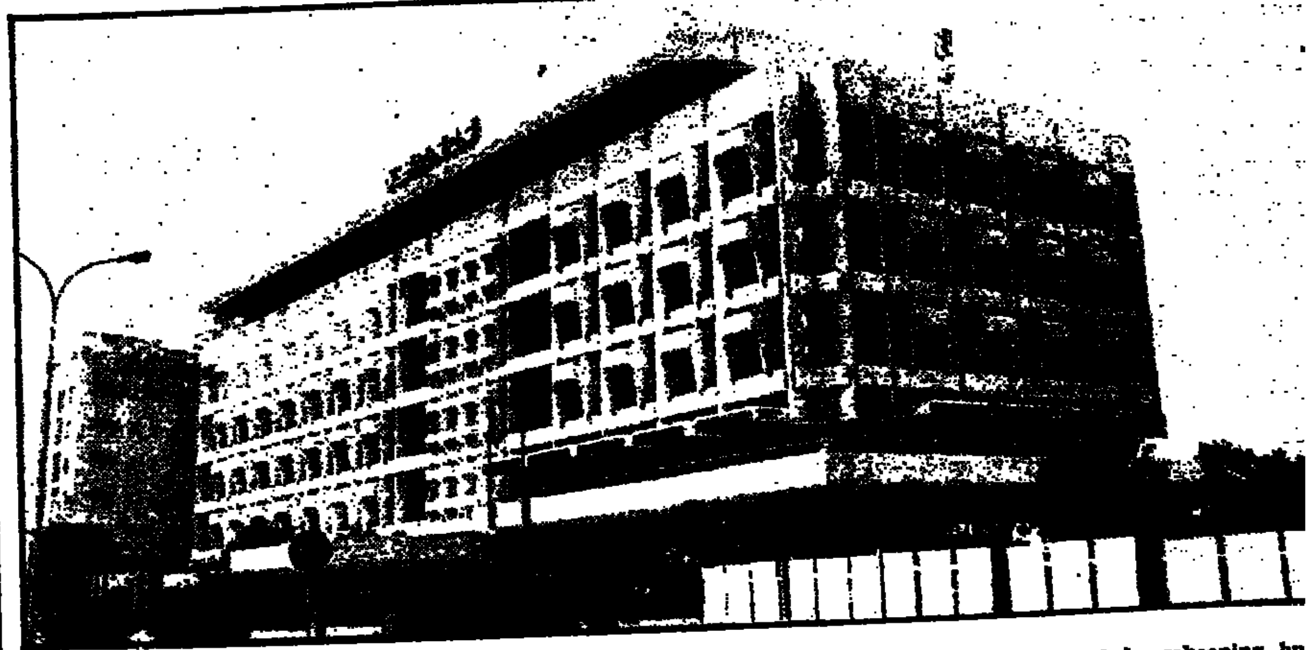
However, such responsibilities will not be in the forefront of Omani minds during the next week when, at least in Muscat, the underlying theme will be one of self-congratulation. None of the thousands of invited guests will begrudge or seek to belittle Oman's achievements during the past 15 years, but they may sense that the celebrations also mark the end of an era.

A new generation is coming of age which cannot compare the old Oman with the new and has been educated with aspirations which differ from those of their parents. The old tribal system is breaking down in the rural areas and has to be replaced by a new structure of participatory authority. Government, in general, will have to be seen as of the people, as much as it is for the people. It seems improbable that Sultan Qaboos will be able both to absorb an even heavier administrative workload and ensure that his political attennae are well attuned.

During the course of an interview Sultan Qaboos said that he had been "very lucky" during the past 15 years and that future development had to rest on "solid, natural foundations." Oman would never copy anything from anyone.

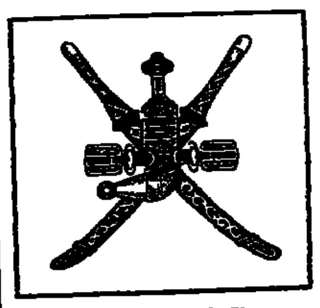
"Things here must develop naturally. We do not wish to force anything, but neither do we wish to hold back, while still appreciating the traditional way of life of our people." It was hardly a precise prescription for the next 15 years but one that appears to ensure a cautious, conservative evolution that in approach will not differ greatly from the past decade-and-a-half. Presumably a further dose of good luck would also not go amiss.

Pictures by Terry Kirk



The Central Bank in Muscat—together with the Finance Ministry it enjoys a reputation for good housekeeping bu be forced to borrow on the international markets again next year.

Period of consolidation ahea



Oman has been left largely unscathed by the sharp decline in oil prices, but, as Andrew Gowers reports, there are signs that future spending will require careful management.

AS SAGGING oil prices have taken their toll on other Gulf states over the past couple of years, Oman's economy has looked at times as though it was leading a charmed life.

The Sultanate's development plans have ben left largely unscathed by the sharp decline in the price of its main export, and gross domestic product has continued to sail upwards by 11 per cent last year, according to official reckonings.

But that superficially attractive performance has not been achieved without considerable strains, particularly this year. And with the approach of a new five-year plan period starting in 1986, there are signs that the halcyon days are coming to an end.

The big development projects conceived on the back of booming oil prices have been largely completed, and the country is settling down for what will be a period of consolidation at best and severe belt-tightening at worst.

The Sultanate is no less dependent on the vagaries of the international oil market than any of its Gulf allies. Crude petroleum accounts for more than 90 per cent of its export earnings and by far the largest part of its GDP and government revenues.

However, two things set Oman apart from many other oil producers: the extent to which it has been able to offset declining oil prices with increasing production and sales; and the general thriftiness with which —until this year, at least—it has deployed its oil revenues.

Expectations

The big question now concerns how the Sultanate—which still has more development work to do than other Gulf states and inexorably rising popular expectations to appease—will ease its way into a period of less ambitious growth.

For some time to come, 1985 probably will be remembered as the last year of easy money in Oman. The Sultanate's second five-year development plan, the driving force behind economic growth since 1981, is nearing the end of its life, and contractors are racing to complete projects on time.

The circumstances under which the second plan was drawn up could hardly be more different from those prevailing today. Conservatively, as it seemed at the time, it assumed that the Sultanate would be producing a steady 330,000 barrels of oil per day at prices rising by 5 per cent per year from a base of $34 per barrel.

When crude prices started to decline a couple of years into the plan, Oman was faced with a choice: either to shelve key projects or to try to boost oil revenues by dramatically stepping up production.

Clearly, the revenue and expendiure targets set in the second plan were more important. Mr Said Bin Ahmad Al Shanfari, the Oil Minister, puts it like this: "We decided in the five-year plan that we should spend billions, so if the price goes down we have to produce more . . . If the price had held at $30, our production would have been 350,000 b/d today."

As it is, prices are hovering around $28 a barrel, Oman's production is now pushing 500,000 b/d, and oil revenues for this year are put at a record RO 1.442bn.

Any additional deficit was to be covered by foreign borrowing—preferably on concessional terms from Oman's GCC allies, and others, but if not, from the Euromarkets. Since 1983, the Sultanate has taken out syndicated credits and note facilities with a total value of $700m, all of it on fine terms.

This year, however, there has been an additional complication and an extra spur to the momentum of the economy: a surge of unbudgeted expenditure connected with Oman's 15th National Day celebrations and the Gulf Cooperation Council summit in Muscat.

Nobody appears to know exactly how much money has been lavished on sprucing up the capital for these two events, but it certainly runs into the tens of millions of rials, and will probably take government outgoings above the RO 1.92bn budgeted for the year as a whole.

The over-spending is not large by international standards, and not unduly worrying in that oil revenues are also coming in above budget.

But there is no denying that the Sultan's spree is likely to bring pressure to bear on the balance of payments and contribute to an unprecedented drain on the country's painstakingly garnered foreign reserves.

Senior Omani officials anticipate that some RO 300m will have been drawn from the Sultanate's State General Reserve Fund—the official nest-egg into which 15 per cent of oil revenues have been injected every year since 1980—by the end of this year. This would leave the fund with about RO 950m, to which must be added central bank reserves of about RO 350m.

Even then, there are doubts as to whether the overall balance of payments will be more than slightly in the black for the year as a whole, although officials are predicting a surplus of about RO 100m. That compares with a RO 77m surplus last year, after drawings of some RO 145m from the GRF.

With characteristic understatement, one senior official admitted that the current account was "not looking very good." A foreign observer was more outspoken: "They've savaged the GRF in order to avoid the effects on the banking community of a large balance of payments and government account deficit."

What has raised eyebrows in the financial community is the apparent relaxation of the Omani Government's hitherto rigorous fiscal attitude that this year's surge in spending has entailed.

"The increase in spending has been all the more evident because of the country's overall conservatism," a banker says. In addition, there is concern that the familiar Gulf story of delays in payments to contractors is cropping up with increasing frequency in Muscat.

But nobody really believes that this year's events represent more than a temporary extravagance, and in the long run confidence in the Government's good housekeeping remains high.

"Oman is still a very good risk," says one financial expert. "Banks were queuing up to participate in the country's previous syndicated loans. If they went to the market again, I don't think they would have any problem in getting another $500m at very fine terms."

As the Sultanate lays the foundations for its third five-year development plan, it is proceeding with typical caution.

Mr Qais Bin Abdul Munim Al Zawawi, the Deputy Prime Minister for Economic and Financial Affairs, says the plan will be based on the assumption of "a rather marked decrease in revenues from oil, and some increase in other sectors."

"It will not be a period of easy spending as we've seen. We have achieved many of our major development projects. It will be a period of stability, continuity and stocktaking."

That means, too, that the Government — with a total foreign debt estimated at $2bn —is not about to plunge further into the credit markets to finance big projects.

Everywhere in the bureaucracy, the message in the same: Oman does not want to take out major loans as part of the third plan if it can possibly avoid it. Officials say that, as things stand, all foreign debts should be paid off by 1990.

Debate

There does, however, appear to be something of a debate in Government circles as to whether it will have to borrow a little more in order to cover the after-effects of this year's spending surge in 1986.

Government officials have now completed work on the macro-economic aspects of the third plan and the focus is shifting to detailed haggling between the ministers over precise allocations of funds. The process is probably not unlike the British Government's Star Chamber on public spending: at least, it is ruled by the same imperative, of fitting numerous competing demands for funds within a relatively stringent financial framework.

As a result, the plan's publication looks set to be delayed, perhaps until next March.

So far, no very precise indications have emerged as to where its emphasis will lie, beyond the assertion that it will not involve many large projects, and will concentrate instead on development of education, health, agriculture, roads and electricity in the regions, and further diversifications away from oil.

Defence, of course, which has swallowed about 37 per cent of budgeted expenditure this year, will continue to take the biggest single slice.

The ministers' task, though, will not be made any easier by the uncertainties over the level of spending this year, some of which is bound to spill over into 1986. "They probably do not know quite how much they have got in the kitty for new projects," says a diplomat.

Delays in implementation of the plan, compounded by a tapering off in payments for this year's celebrations, will almost certainly lead to a slowing down of the economy in the first half of next year, although Mr Zawawi is confident that it will not lose its momentum.

In the medium term that, ministers face t cipal concerns. and recurrent exp Although it is difficult at an accurate measur tion, prices of a nu staple items in Oma to have actually bee over the last couple

Primarily, this ref fact that the Omani been pegged at the s to the recently-str dollar since 1973, but tion in key exporting to Oman such as the Japan has also playe

The worry now what will happen if continues to fall aga currencies. Some g officials, fearing that lead to a resurgenc tion, have proposed the link between th the U.S. currency, a ing the dollar with a currencies or with t Drawing Right.

This idea appears been firmly quashed Qaboos. But some reckon that without move inflation c sharply next year.

The worry over expenditure is per profound. Up to nov of civilian spending h capital construction but these are going ing increasing dema rent funds as time g no project is this n nent than the Sult University.

Alternative

In defence spendi case, recurrent regularly accounts than threequarters o In this year's budg cent of civilian expe recurrent, compared just over half in 19

That is one r officials are slowly tu attention to alternat raising money. Im are being steadily in expanded.

More significan bankers would not b to see an extension taxation to cover 1 Omani-owned compa as joint ventures i couple of years - Omani companies, Chamber of Comn already made it cle would oppose suc There is even disc taxing expatriate which presently inc at all.

Above all, th Government is bo keeping a nervous oil price, which country's efforts will remain the maj ant of Oman's ec tunes for the future.

Although the co servative economi almost certainly w to live with ano decline, with a below $20 a barrel, be in deep trouble.

Business hopes in five-year pl

FOREIGN contractors in Oman are poring with more than usual care over their local newspapers these days for clues as to where the priorities, and the opportunities for winning business, in the next five-year plan will lie.

They are all aware that the days of the mega-project are more or less over. But far from discouraging them, this realisation is merely spurring on the competition.

"The market is much more competitive than it ever was," says one observer. "You've got big contractors who have finished major projects looking for smaller jobs in competition with local sub-contractors."

Apart from the road, school and hospital building work which the plan is expected to contain, and the inevitable large share of defence spending, the contractors' attention is focussed—with varying degrees of confidence—on several possible larger schemes:

● The Wadi Dayqah dam, supposed to be built 80km west of Muscat at an estimated cost of RO 45m. This is a left-over from the second five-year plan and was expected to help make up for a shortfall in the capital's water supply. All the signs are that this will not now go ahead.

● Port facilities. An extension of the main port at Mina Qaboos in the capital area was suggested in the second plan, but this idea appears to have been abandoned, as the Government considers whether to build a completely new port outside Muscat.

There are doubts, however, as to whether Oman needs another sizeable port at a time of general belt-tightening.

● Power generation. A decision on who is to build a second gas-turbine power station by the industrial estate at Rusail is imminent. The bidders, at prices of between RO 18m and RO 22m, are John Brown Engineering of the UK, General Electric of the U.S., and West Germany's Kraftwer BBC Brown Bove

Following that, possibility of a gas turbine po coupled with a plant on the Ba possibly at Barka ese consortium h a feasibility study ject, reported to cost Y100 bn.

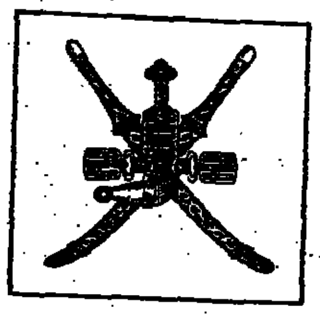
Further pow may stem from study of the energy needs in century produce Government by E Switzerland.

● Sewage system urgent need for ment and floo facilities appear Salalah. Taylo and Wimpey of said to be inter a project, which between RO 4 50m.

● A possible s finery to supply market.

AND

Keen sense of timing marks Qaboos rule



A personal blend of the traditional with a Western approach, plus close attention to detail, has enabled Sultan Qaboos to carry out Oman's development with considerable skill, as Roger Matthews reveals in this interview.

SULTAN QABOOS BIN SAID exercises as much, if not more, power internally than any other Arab ruler, but imposed not by dictatorial force but by blending a strong sense of Omani tradition to a Western sophistication—qualities that rarely fail to charm his overseas visitors.

He was one of several Arab leaders who came to power in the 1969-70 period, soon after the humiliation of the 1967 defeat at the hands of Israel and just before the huge explosion in oil prices which followed the 1973 war.

His initial preoccupation with Oman's domestic affairs and the country's relative isolation ensured that he was a little known figure on the world stage when set alongside Anwar Sadat of Egypt, Hafez al-Assad of Syria, Muammer Gadaffi of Libya or even Jafaar Numeiri of Sudan. Oman has remained on the fringe of Middle Eastern politics to an even greater degree than its geographical position might require.

In part this reflects the personality of its ruler. Sultan Qaboos is described by those who knew him 25 years ago as having been a rather shy, even withdrawn young man. His father's total refusal to allow him to play any part in the affairs of the country on his return from Britain can have done little to increase his self-confidence.

Yet then, as now, he is a great believer in timing; of acting when the moment is right and not before. Hence his caution in waiting four years before finally taking the decisive action against his father.

In retrospect it has to be seen as an immensely difficult act for Qaboos, who to this day finds it distasteful to have to dispense with someone's services. Those who have been dismissed for whatever reason are usually treated generously and while their pride may suffer their standard of living does not.

It is a characteristic which can encourage inefficiency, but equally it invites loyalty. Very few Omanis, even those who are strongly critical of aspects of government, allow themselves to doubt the correctness of the ruler's intentions. Instead, they blame the advice which he is given and the doubtful qualities of some of those who are close to him.

To sit with Qaboos in his first-floor office in the royal palace on the Salalah seashore is to understand something of the loyalty he inspires. He speaks softly, laughs deeply and punctuates his conversion with expressions of such studied reasonableness that it seems impossible for the Middle East, with its tensions and rivalries, to be the topic of discussion.

It is a measure of the impact he has made on members of the Government that they can be found saying almost exactly the same things, in an almost identical tone of voice.

Proud

Sultan Qaboos is proud of what Oman has achieved during his rule, particularly the standard of living which is now enjoyed and the educational facilities that are, and will be available, with the opening of the new university next year. At the same time he admits mistakes were made "because in the first five years we really did not have much time to think."

Self-deprecatingly, he says that luck was also a contributory factor, although he would agree that the difficulties experienced during those early years were handled well.

What Sultan Qaboos does not offer to discuss is just how personally he has been involved in those decisions, and his sometimes extraordinary attention to appearance and detail. The reason that Muscat looks so tidy and well-ordered is because Qaboos watches so closely.

A small development of houses under construction was demolished the day after the ruler decided they were being built too close together. The owner had apparently been attempting to bend the planning rules a little but he was nonetheless compensated for the additional cost of construction.

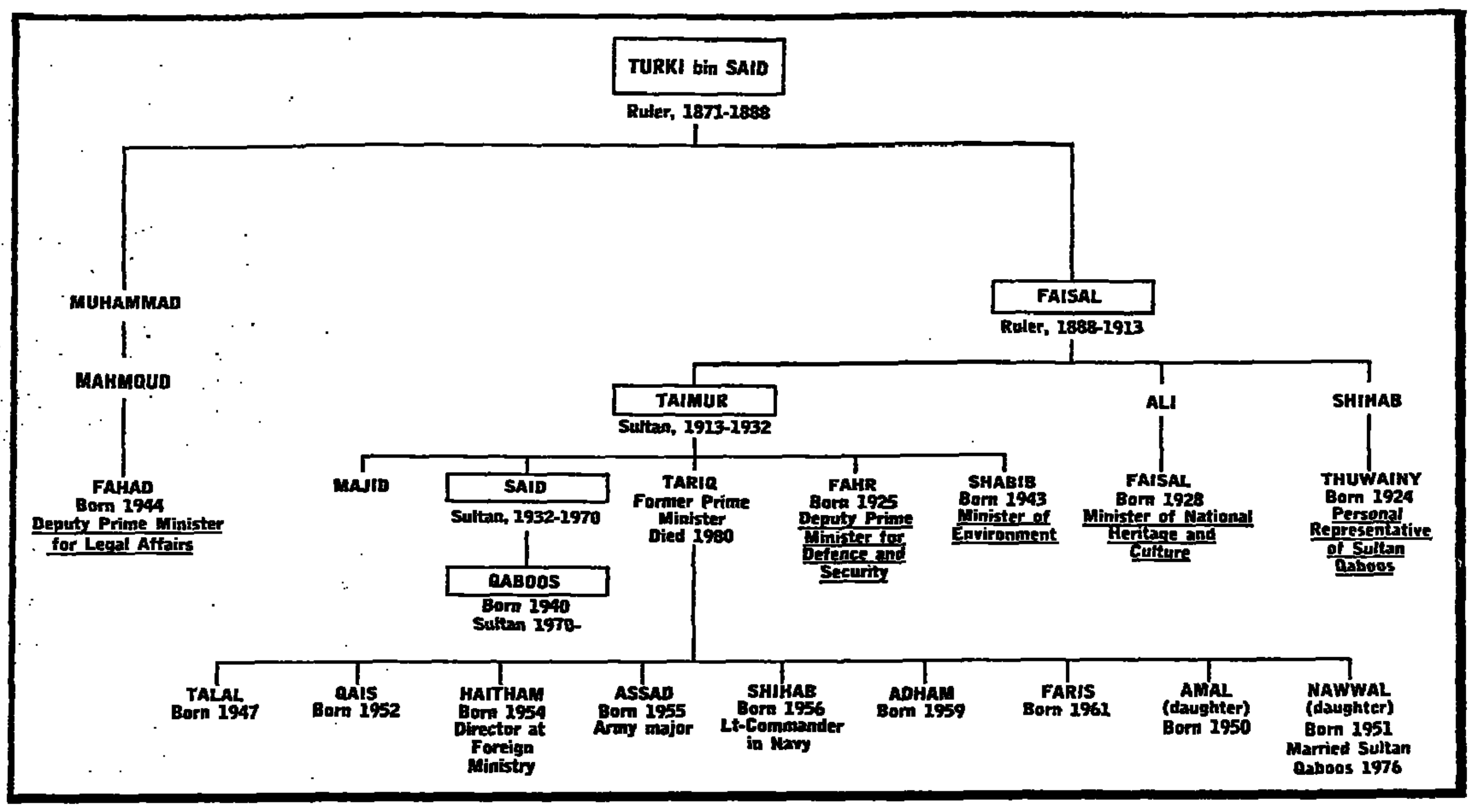
A house that appeared rather too grand for its owner was quietly purchased by the state at a good price and turned into a club for graduates. Unsightly water tanks on the roofs of houses in Muscat have been neatly covered over and there are legal penalties for those who leave filthy cars parked on the street.

Anyone approaching the new university next year will see first a clock tower, a mark of the personal interest taken by Sultan Qaboos in the project which bears his name.

The same high standards and attention to details are also expected of those who represent Oman, whether in Government or abroad. One Minister commented ruefully on the size of the tailoring bill that accompanied a place at the Cabinet table, while army cadets attending Sandhurst or other military establishments are expected to acquire social graces as well as martial skills. It is all part of what Sultan Qaboos describes as "developing our people's capabilities in every way."

It is also a rare, if not unique experience in the Gulf for a head of state to express such a keen interest in the arts, which for Qaboos also includes interior design and gardening. A great deal of care and money has obviously been expended on the gardens at the Seeb palace, north of Muscat, while in Salalah, the flower beds, hedges, lawns and coconut palms lead down to a perfect white sand beach.

OMAN'S RULING FAMILY



The guest houses in the grounds also appear to reflect the Sultan's interests with David Roberts' lithographs on the walls, the works of Wilde, Dickens and Fielding in the bookshelves, and cut flowers in vases along with pieces of Crown Derby on side tables.

Inside the palace, lithographs give way in the ante-room to originals by Charles Frere and Robert Kelly, while just outside the ruler's office hangs a huge canvas by George Stubbs. Two years ago, Sultan Qaboos commissioned the British artist Chester Williams to paint for him a series of water colours of Oman, of which there are also lithographs. Next month the London Symphony Orchestra will be in Muscat to perform works by Omani composers.

The Sultan's musical and artistic interests form part of the British bond and explain friendships which have endured for more than 20 years. He is said still to value "disinterested" British advice as much as any other single source available to him. But the real issue in the coming years will be the degree to which the Sultan will be willing to institutionalise Omani advice.

He could, as he put it, create "an empty drum" tomorrow which to the outside world might appear as a step towards democratic rule and be welcomed as such. However, Qaboos is adamant that he will not embark on any development which is not "solidly and naturally based."

He stresses that gradually Omanis are taking increasing responsibility over a wider range of activities and the time for him to act will be "when things are at a certain level and when the people feel that a certain way is the best way."

He could have added that much the same thing happened with the decision to establish diplomatic relations with the Soviet Union, the most surprising single act he has taken for several years. Qaboos was pleased to have drawn an international reaction. "It's good to keep people on their toes," he says and emphasises that "it was something which had to happen one day, but always on certain conditions." The Soviet Union had finally been willing to accept those conditions and there was therefore no further reason to refuse to accept the hand of friendship.

No illusions

He says Oman had no illusions about the Soviet Union. "They will have their friends while we will have ours." However, it was in general better for the common cause of peace to speak to one another, rather than indulge in confrontations. It is the best way, says Sultan Qaboos, to avoid dangerous misunderstandings.

The Sultan believes that this would also be the best path for resolving the Gulf war, where neither Iraq nor Iran saw a way out of the conflict. It is not a situation where anyone can dictate a solution and the Islamic Conference Organisation still offers the best chance of progress, he believes.

In the meantime, the Iraqi raids on the Iranian oil terminal at Kharg Island could lead to more extreme forms of action which Oman, with its responsibilities in the Strait of Hormuz, is anxious to avoid. "We have to go really carefully and to consult with the rest of the Gulf Co-operation Council and with other interested parties," Qaboos says.

This emphasis on care and consultation has become so much a Qaboos hallmark that for those few who are less admiring it has become a yardstick against which to measure his performance. There are articulate people in Muscat who claim that in fact he consults less than he used to and that his kindness and innate caution has given less scrupulous people the opportunity to acquire enormous economic power.

They wonder how many visitors to the royal court any longer have the courage to express views they suspect will be unpopular with the ruler, and have noted with concern the tendency among some prominent fellow citizens to kiss the ruler's hand when greeting him in public.

"It is not a healthy development," says an official, "above all, because the Sultan has the power to stop it if he wishes. Perhaps he actually enjoys it."

For now, it is not criticism which appears to be voiced widely and is quite minor when set against the experience of those men who came to power in other parts of the Arab world at the same time. Oman under Qaboos has enjoyed one of the most stable periods in its history and its jails are devoid of political prisoners. That is the best measure of his achievement.

Cautious welcome for Moscow

Muscat's decision to establish diplomatic relations with the Soviet Union marks a profound change in its foreign policy, says Roger Matthews.

OMAN REVERSED a basic assumption about strategic planning in the Gulf when, at the end of September, it revealed it was to establish diplomatic relations with the Soviet Union.

Until that moment Oman had contributed strongly to the belief that it was the most adamantly anti-Soviet nation in the region.

In an interview at the end of 1982 Mr Youseef al-Alawi, the Minister of State for Foreign Affairs, had argued forcibly that there was no cause for Soviet involvement in the area and no reason for financial or trade links with Moscow. "There is, quite simply, no need to open the doors to them," he said.

It can only have been a little more than a year after that interview that Oman underwent a profound change of mind. From towards the end of 1983 Oman began to respond through a third party, presumably Britain, to the discreet feelers put out by the Soviet Union.

The Omani decision appears to rest on twin assumptions. The first is that Moscow will ensure that the neighbouring People's Democratic Republic of Yemen (PDRY), with whom it has a treaty of friendship and co-operation, never resumes its propaganda campaign against Oman, and abandons all attempts to create dissent in the southern Dhofar region.

When Omani officials say that the Soviet Union is pledged to follow a policy of non-interference in Omani affairs, they are referring to South Yemen as much as to any more direct Soviet action.

Second, the decision appears to reflect a changed view by the Omanis of the Gulf and its own self-confidence in handling regional issues.

Over the past 15 years Oman has built up military forces which in terms of training and commitment are at the very least the equal of any in Saudi Arabi, Kuwait, the United Arab Emirates, Qatar and Bahrain—the other members of the Gulf Co-operation Council. Oman believes that it can both deter, or if necessary defend for long enough to enable international support to be mobilised.

Essentially that means the US, and Sultan Qaboos is at pains to stress that the Soviet decision in no way affects Oman's traditional friendships. The US will continue to enjoy facilities at Omani bases and there is no indication that Muscat will not participate in future joint manoeuvres with elements of the American Rapid Deployment Force.

Oman's action is nonetheless a considerable coup for the Soviet Union, which has diplomatic links only with Kuwait among the GCC members. Now that Oman has taken the plunge, it can be safely anticipated that others will follow, with perhaps the United Arab Emirates leading the way and Saudi Arabia not very far behind.

But for some time it seems that the actual benefit to Moscow will be more theoretical than real. Sultan Qaboos is adamant that there will not be "lots of Russians swarming all over the place" which could indicate that it will be some time before a Soviet ambassador is actually resident.

Sultan Qaboos with the Queen during a State visit to Britain. Oman's traditional links with Britain have become part of a greater self-confidence in regional and international affairs

Pressure

Western diplomats expect Oman to come under increasing Soviet pressure to flesh out the agreement quickly and grant facilities for trade missions and air and maritime links. This the Omanis will certainly resist, at least until they acquire further evidence that Moscow is playing what they would describe as a helpful role in the region.

A great deal of Omani attention, like that of its GCC colleagues, is still taken up by the neighbouring war between Iran and Iraq. While it is officially stated in Muscat that neither superpower has the capacity to impose a settlement to the conflict, there is a strong appreciation that the Soviet Union, as the major arms supplier to Iraq and with a very long border with Iran, has potentially a far greater influence.

As the war has entered its sixth year, Oman has been caught in two minds over the wisdom of Iraq's attempt to destroy Iran's main oil export terminal at Kharg Island. It can understand the Iraqi frustration at Iran's unwillingness to contemplate a negotiated settlement, but Oman is concerned at a possible broadening of the conflict if Tehran is backed too far into a corner.

Omani naval officers were impressed recently by the efficiency with which the Iranian Navy carried out manoeuvres in the Strait of Hormuz, which was interpreted as a signal of intentions should Tehran's oil exports be seriously curtailed. Oman has dropped suggestions prevalent a few years ago that it is in any way the "Guardian of Hormuz" but is very conscious that its greatest risk of being drawn into a conflict lies in the Strait.

It is in part reaction to this danger — and to the wider one resulting from the near collapse of the Arab League — that Oman has been an enthusiastic, if selective, member of the Gulf Co-operation Council.

Oman sees two clear benefits from the GCC. It is a forum through which the Gulf states can link to fight the threat of subversion and the possibility of external aggression. Second, it is a wealthy economic grouping which can offer assistance to Oman's development.

The GCC's priorities — that is, putting security first—now correspond to those of Oman although businessmen in Muscat suspect they are having to bear the brunt of the political costs stemming from what they see as inequitable agreements on the phasing out of tariffs. However, Oman values its membership, especially at a time when the rest of the Arab world is in such total disarray.

Attempt

Oman is unlikely ever to be an important player in Arab politics but does pride itself on the consistency it has shown, especially in support of Egypt's attempt to reach a negotiated settlement with Israel and now with the initiative launched by King Hussein of Jordan. Sultan Qaboos, while wholeheartedly behind the Jordanian monarch, says that it is unrealistic for the Arab nations to expect a great deal of international backing while they are so divided among themselves.

"If we have differences — which is quite healthy — then we should air them behind locked doors and not in the open," he said. "Of course we all have our personal interests but we have to learn to make sacrifices, not to be so selfish, and to think of our people as a whole. We cannot expect anyone else to do the job for us."

In the same context, Qaboos would also like to see the US doing more to encourage others and in particular to assist Israel "in being more forthcoming."

Discreet relationship with the UK

Britain's close ties with Oman extend from politics into the commercial and military fields, creating "an emotional bond that is hard to break." Bridget Bloom reports.

"THE RELATIONSHIP between Oman and Britain is broad, deep and rooted in history. Furthermore — and this is rare in contacts between nations — it is remarkably free from friction: the two peoples, since they first encountered each other, have almost always been friends."

So declared Mr Duncan Slater, Britain's Ambassador to Oman, only a few months ago. He proudly pointed out that he was one of a long line of British representatives resident in Muscat since 1800, when a Treaty of friendship established that Britain would always be represented there by an "English gentleman of respectability" so that "the friendship of the two states may remain unshook till the end of time, and till the Sun and Moon have finished their revolving career."

Mr Michael Heseltine, Britain's Defence Secretary, who visited Oman last month, would certainly agree with the Ambassador's general sentiments. After his four-day trip, his officials were able to report that the visit had gone exceptionally well since there were "no issues of any kind to be resolved."

Understandable

This self-congratulation on the Defence Ministry's part may be understandable: Oman had just announced that it would buy eight new Tornado fighter-bombers, the aircraft's first export sale, thus cementing the relationship which makes Britain Oman's premier supplier of military equipment, and (despite the country's tiny population) its fourth-largest market in the Middle East, with exports last year worth £390m.

Britain vies with Japan as Oman's number one supplier, but with no one for the influence of its 5,000-6,000 citizens — a total of 11,000 British nationals are working in Oman, in the armed forces, in business, teaching, medicine and the administration. The traffic is to some extent two-way: about 600 Omanis currently study in Britain, while 7,000 Omani visitors visited Britain last year.

Early Omani-British ties were rooted firmly in self-interest: from the 17th century on, Britain saw Oman as a strategically important trading and staging post, first for the Far East in general then for the preservation of its empire in India (from where the Muscat residency was administered until 1947). And most recently as a key to stability in a vital oil-producing region of the world.

For Oman, too, the relationship was important historically, offering protection and for the more astute of the territories' leaders, the ability to play off European rivals — particularly France, Portugal and Britain—against each other.

An element of such tactics remains today, as Oman on occasion subtly highlights its relationship with Britain to keep a public distance from the U.S.

Oman has never been a British colony, though it came very close to a colonial relationship in the 1920s. Modern military ties were established during the Second World War, when the RAF and BOAC (as well as the U.S. Army and Air Force) used the country's airfields in return for financial subsidies.

In 1958, Britain agreed to provide military assistance to Oman, including financing, material and personnel towards the creation of the Sultan's Armed Forces.

The importance of that aid was underlined in 1970 when British forces helped Sultan Qaboos not only to come to power but subdue the Dhofar rebellion, thus enabling the new ruler to consolidate his position over the whole country.

The development of Oman's modern armed forces from that time is described elsewhere in this survey. Today, the bond forged then is still strong.

"Blood, sweat and tears we shed together in those days," says one of the British officers involved in the Dhofar campaign who now holds a very senior position in the Sultan's armed forces. "That created an emotional bond that is difficult to break."

Sultan Qaboos himself, educated in the UK and trained at Sandhurst (where there is a plaque commemorating the 35 British soldiers who died in Dhofar) may well share the British officer's sentiments. The relationship with Britain is discreetly handled; publicity is shunned and denial made of favours asked or granted. Yet there can be no doubt, where other things are equal, Britain has the edge on most other (especially Western) countries.

Scrutinised

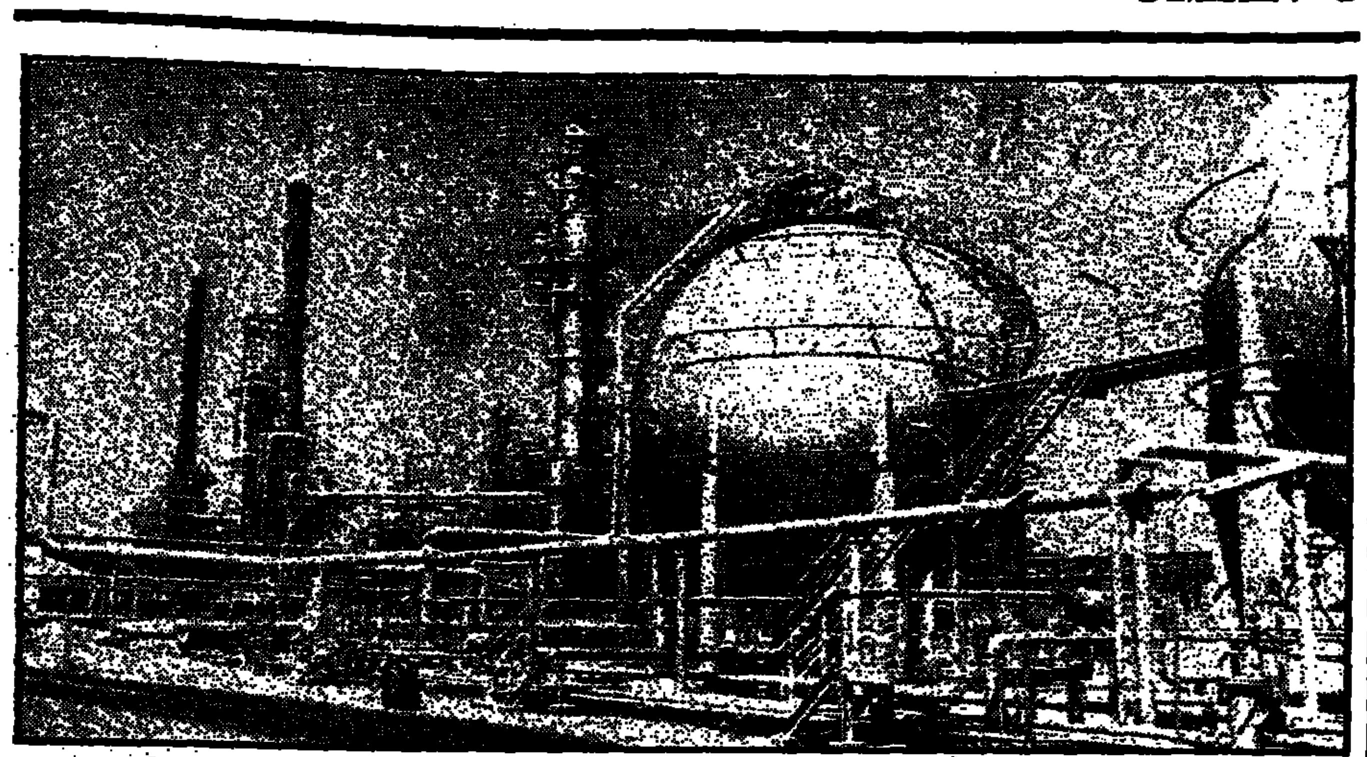
The story is told, for example, of the contract for armoured vehicles for the Army. A British and a French bid were received, scrutinised and found to be technically and financially on a par. Britain got the contract, partly on the grounds that the Sultan believes the Army can be more efficient if most of its equipment comes from a single supplier but partly it is suspected, on grounds of sentiment.

The size of Britain's trade with Oman, as well as its penetration of construction, banking, insurance and other financial and consultancy services in Oman, if not so complete, is still substantial. Only in supplying private cars does Britain seem to be totally eclipsed by rivals.

What of the future? Britain has benefited from the boom of the past few years, and as that tails off so British economic involvement will decline, if not necessarily dramatically.

Britain's relations with Oman's military forces will become less close as more Omanis are trained to take the places of British personnel now serving there. While, politically, both sides acknowledge that there have been marked changes in the relationship over the past 15 years as Oman has become more open towards the rest of the world, and that that process too will continue.

For the time being, for Britain at least, a relationship which involves so few stresses and such obvious advantage provides a welcome respite from the cruder and more normal experience of international relations.



Oman's refinery at Mina al-Fahal. The decision to adopt a flexible pricing formula has been vital

Production steadily rising

Exploration and production are still increasing as deliberate policy. However, this could raise political problems with Oman's Gulf partners, as Andrew Gowers reports.

IN OIL, as in many other things, Oman is a maverick of the Middle East.

Oman is not a member of Opec. Unlike most Gulf countries, it has quietly been boosting production, sales and oil revenue this year. And, unusually for an oil-producing country in this area of glutted markets, it is forging full steam ahead with exploration and development.

The Sultanate's crude production has been rising steadiy since world market prices started to decline in the early 1980s—the result of a deliberate policy decision to try to maintain revenues at a level sufficient to satisfy the voracious spending appetite of the second five-year development plan.

Output averaged 412,900 barrels a day last year, some 7 per cent above the 1983 level, and earned the country about RO 1.3bn ($4bn). This year, both output and revenues are up again—at an estimated average of 488,100 b/d and RO 144bn respectively for the year as a whole.

And in the past few weeks Oman's oil industry has been close to another milestone of considerable psychological importance: production of half a million b/d.

That, as one former oil industry executive in Oman put it, is a level which "few would have believed possible a decade ago." It takes the country a decisive step further towards the big league of oil producers.

By the same token, it may also lead to political ructions with Oman's partners in the Gulf Co-operation Council (GCC), most of which have been forced to sit by helplessly as falling oil prices and sales have sliced into their development plans.

For the moment, however, there appears to be no stopping the Sultanate. The next production target may be approached in 1986, when a newly-overhauled and extended pipeline network to carry oil from the fields in the south of the country to its export terminal at Mina al-Fahal in the capital area, is expected to become fully operational.

This will have pumping capacity of 650,000 b/d and, according to Mr Said Bin Ahmad Al Shanfari, the Oil Minister, could be raised eventually to 1m b/d.

Moreover, Oman appears not to have had much trouble this year in selling all it could produce, an achievement which stands in particularly stark contrast to the performance of Saudi Arabia, whose Arabian Light has a similar gravity (34 degrees API) to the Omani product.

Saving

One key to the Sultanate's success lies in its location, outside the treacherous Strait of Hormuz and the Gulf War zone. "The savings on tanker insurance charges which can be made by not having to go beyond the Strait are enormous," says one foreign observer.

But equally important this year has been Oman's decision to adopt a flexible pricing formula for its oil. This followed difficulties in making contract sales under its previous posted price system.

Virtually all the Sultanate's crude is sold under 12-month contract, but with a price mechanism that moves by the month to reflect spot market quotations retrospectively.

Key oil figures

	1980	1981	1982	1983	1984	1985
Production (m annual)	103.7	119.8	122.6	141.9	152.4	178*
Exports (m annual)	102.0	120.0	118.8	128.6	135.0	n.a.
Gross Government oil revenue (ROm)†	832	1,126	1,057	1,108	1,132	1,226*
PDO expenditure (ROm)	188.6	205.7	265.5	246.7	244.2	n.a.
Unit production cost (US$ per barrel)	4.81	5.04	5.73	5.14	4.89	n.a.
Reserves (bn barrels) ...	—	—	—	—	3.84	—

*Estimate. † After 15 per cent allocation to State General Reserve Fund. Source: Ministry of Petroleum and Minerals, Petroleum Development Oman, and Central Bank.

This clearly appeals to two countries in particular, both Far Eastern and both acutely sensitive to the need for secure supplies of a whole range of raw materials.

Japan, which has also been a big buyer of Iranian oil, and South Korea, are both lifting increasing amounts of oil from Oman. Last year, Japan took more than 60 per cent of the country's total exports, while South Korea bought a further 16 per cent. Tokyo, of course, is also the biggest exporter to Oman, but as far as the free-trading Omanis themselves are concerned that is pure coincidence.

For the time being, the exploration picture looks similarly and surprisingly bright. Petroleum Development Oman, the Government's joint venture with Shell (34 per cent), Compagnie Francaise des Petroles (4 per cent) and Partex (2 per cent), which produces the vast majority of Omani oil, has been maintaining a high level of capital expenditure, although it has dropped somewhat since its peak in 1982.

Over the past six years, PDO has discovered oil reserves well in excess of the amount it has extracted. According to Mr al Shanfari, oil finds have totalled 320m barrels this year, against estimated output of 170m barrels, and the country's reserves are now close to 4bn barrels.

The focus of recent discoveries, and the key to the latest upturn in Oman's oil fortunes, has been in the south of the country, around Marmul. According to Mr Francis Hughes, a former PDO general manager now working as an independent consultant, the new complex of fields there, together with fields near Rima and Jalmud to the north, now produce more than 100,000 b/d.

The older Fahud, Lekhwair, Yibal and Natih fields are producing about 250,000 b/d, while a further 50,000 b/d comes from the group of central oilfields around Ghaba and Qarn Alam.

The only other companies extracting oil in Oman at present are Elf Aquitaine and Occidental, which between them produce about 15,000 b/d. But some 30 others, from Japan, Britain, the US and Sweden, are looking for oil, both offshore and on. And Mr Al Shanfari reckons that one of them, Amoco, which has exploration concessions for a total of 70,000 sq km, could be producing as early as next year.

Water injection

In addition to scouring the Sultanate for new oil, PDO is endeavouring to boost output from existing wells by means of secondary or enhanced recovery, either by water injection as in older fields or through more sophisticated methods such as are currently being tested out at Marmul.

For secondary recovery Oman's gas plays a key role. The Sultanate already has sizeable proven reserves of both associated and non-associated gas—more than 8.2 trillion (million million) cubic feet, according to last year's estimates. Last year, PDO launched a major additional search for non-associated gas in its concession area.

Gas is also an increasingly important source of industrial power generation, fuelling cement plants, the Sohar copper smelter and the al Ghubra power station and desalination complex, among other things, via a growing pipeline network. This is leading to substantial savings of fuel oil.

Several further energy-related projects are either being implemented or under discussion.

The Sultanate's only oil refinery, making petroleum products at Mina al-Fahal for the small but rapidly growing domestic market, is being improved to raise its capacity from the present 50,000 b/d to about 80,000 b/d by 1987.

There is even talk of a second domestically-orientated refinery financed by the GCC—possibly to be based near Barka, and perhaps incorporating cracking facilities to process the residual products which Oman presently has to export for poor returns.

Most ambitious of all is the long-discussed idea for a pipeline to southern Oman from Saudi Arabia, possibly combined with an export refinery near Salalah. This proposal first came up in the early 1980s, when GCC countries were anxiously looking for ways of by-passing the Strait of Hormuz with their oil exports, and has been enthusiastically canvassed by the Omanis ever since.

Shelved

The idea has been raised again in the past few weeks among GCC ministers, but no more has been heard of it, so it probably can be considered shelved for now.

For the longer term, two crucial questions remain about the Sultanate's oil industry:

First, for how long will the other GCC countries tolerate the inexorably rising trend in Oman's production as they do battle in Opec to raise their revenues from oil? Mr al Shanfari is adamant: Oman is different from other Gulf states; it is poorer and it needs as much oil money as it can get to finance infrastructural development which its Gulf allies have already completed.

"If development slows down or stops, the Omani citizen will be putting critical questions because he sees his neighbours in good shape," he says.

However, other GCC states might not agree that they are in particularly good shape. And the customary Omani argument, that it is only a small producer and therefore not worthy of the critical attention of its peers, is beginning to wear a bit thin.

Second, can the country keep up a level of exploration and development capable of finding replacement oil for higher levels of extraction, particularly at a time of falling oil prices?

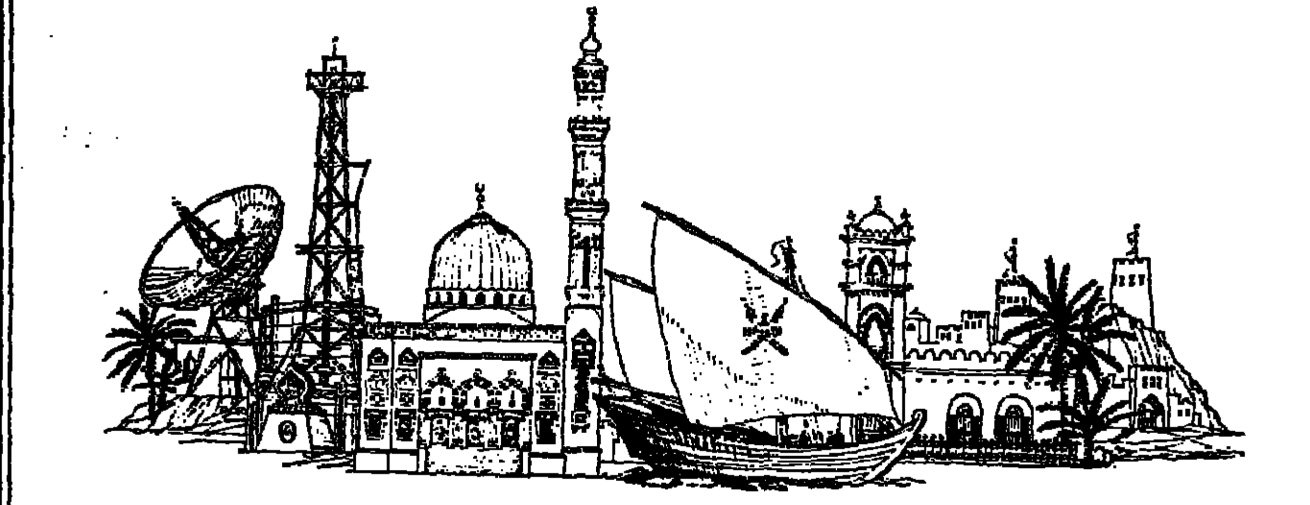
As Mr Hughes says: "Oman's fields are many but the average production from each field is small by Middle East standards and often difficult and expensive to produce.

"In particular, the fields in the south have to be pumped, while Elf's Sahmah field and Occidental's recent discovery further north would not have been viable except for the proximity of PDO facilities to transport and export the oil."

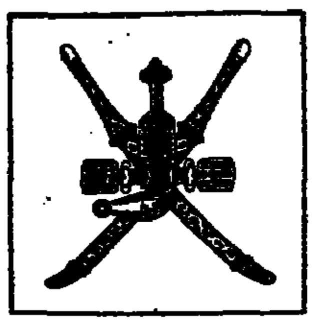
The present level of reserves, it should be remembered, is only enough for the next 25 years or so even at present levels of production—let alone at a dramatically increased extraction rate.

There are murmurings of discontent, too, from some foreign oil companies at PDO's apparent reluctance to relinquish land lying idle to other potential explorers.

But the gravity of these complaints should not be exaggerated. After all, the prophets of doom have been busy enough in Oman's oil industry since it exported its first barrel in 1967. Twice in the 1970s obituaries were being prepared for Oman as an oil state as its production declined. Both times the pessimists were resoundingly proved wrong.



Big budget for forces



The country faces no obvious threat but, as Bridget Bloom shows, Oman has carefully built up efficient, well-equipped forces, with a programme of co-operation with Britain and the US.

The Tornado multi-role combat aircraft, ordered by Oman from British Aerospace. The eight new aircraft, to be delivered from 1988, will markedly boost the capability of the Sultanate's Air Force

HIGH IN the hills above Salalah, capital of Oman's Dhofar region, are scattered more than 60 special army camps. Most of the soldiers there are middle-aged, and though they carry rifles and have ready access to ammunition they wear no uniforms.

Yet these men, known as the *firqat*, once wielded their weapons against the state. Tough fighters with proud records, their switch of allegiance to Sultan Qaboos in the early 1970s was probably the most critical factor in the new regime's early consolidation of power.

The *firqat*, 3,500 strong, today constitute the reserves for Oman's 17,000-strong army. They have little enough to do since the Dhofar rebellion — caused principally by the neglect of the area under the present Sultan's father but fanned by the Communist-backed South Yemen — effectively ended in 1975.

According to Army headquarters in Muscat, there have been no incidents of any sort for several years.

Yet the old fighters are paid to guard their hilltops and there (in a region offering little formal employment) they will remain, both in recognition of their past contribution and as an insurance against possible trouble in the future.

Oman today, rather like the old *firqat*, finds itself at peace, but in terms of its defence it too looks back to the lessons of the past as well as forward to what the future might bring.

The country faces no obvious internal or external threat, but Oman enjoys such a strategic position in the Indian Ocean and the Gulf that it feels the need constantly to be on its guard. "One change in the complicated chequerboard in this part of the world and our position could look very different," is how one senior officer put it.

Since 1975 Oman has built up comparatively large, balanced forces which are now well-equipped and well-trained. It has risked the opprobrium of its Arab neighbours by relying heavily on Britain, not only for help in subduing the rebellion and training and equipping its forces, but for the provision of many of its senior officers.

Modelled on SAS

They are to be found in all three services and in the Sultan's own Royal Guard Brigade and his special forces unit, modelled on Britain's renowned SAS. (Neither of these units comes under the regular Army command.)

Britain provides military assistance for a wide range of developing countries but the aid to Oman is unique in that some 200 British officers are on loan from the UK Defence Ministry and up to another 1,000 (the figures are not revealed) are on direct contract. They are all integrated into the command structures of the forces — which is where they would remain if Oman found itself at war.

The best British officers say their aim is to work themselves out of their jobs by training Omanis, a process which has proved much faster in the comparatively low technology Army than in the Air Force or Navy.

The problems of the Omanisation process are compounded because talented officers, such as jet pilots, become appointed to staff and command positions, while maintenance of much of the forces' equipment seems likely to remain in expatriate hands for the foreseeable future.

Airwork, the UK company, currently has about 1,000 expatriates doing such work, mainly with the Air Force.

Oman spends an exceptionally high proportion of its budget on defence — estimated at 43 per cent for 1984-85. It is reckoned that recurrent costs to pay the armed forces, and to maintain the new barracks and equipment will absorb 70 per cent of the budget between 1986-1990, leaving only 17 per cent for equipment purchases.

Of the three forces, the Army is the oldest, biggest and has the largest proportion of Omani officers, including now the Commander of Land Forces (The Chief of Defence Staff and head of the Air Force and Navy are all British).

The Army's total strength, including the Royal Brigade and the special force (but not the *firqat* reserves) is estimated at 17,000. Now highly skilled in anti-terrorist warfare, the Army has broadened its capabilities in the last ten years. It has eight infantry battalions as well as reconnaissance, signals, artillery, parachute and armoured regiments.

It currently has 27 British Chieftain and six US M60 tanks as well as British Scorpion armoured vehicles, Milan anti-tank weapons and Blowpipe surface-to-air missiles.

The 3,500-strong Air Force operates about 100 aircraft in a wide variety of roles, with Jaguar fighters bought from Britain and a squadron of Hunters which were a gift from Jordan.

The Air Force will experience a major boost to its capability with the arrival from 1988 of eight air defence versions of the tri-national Tornado fighter bomber. The sale of the aircraft from Britain, at a price in "excess of £250m," was announced by British Aerospace last month.

The precise operational role of the Omani Tornado is unclear: the aircraft is built for long-range interception and air defence in all weathers and is to be deployed by Britain primarily for the Defence of Nato's northern flank.

It is understood that to buy the Tornado Oman has negotiated *favourable* terms with Britain, including lower than normal interest rates and repayment phased over at least ten years.

Fast attack

Oman's Navy, the least "Omanised" of the three services, has a strength of 2,000 *(not including the Royal Yacht,* Oman's largest ship. The service operates fast attack and patrol craft, and has recently taken delivery of the first of two logistic landing ships from Brooke Marine of the UK.

A new £350m naval base is being built at Wudum to replace the existing base at *Muscat.*

The Navy's main operational task is currently patrolling the traffic separation scheme for vessels using the Strait of Hormuz, where Oman's territorial waters meet those of Iran at the Strait's narrowest point.

However, senior officers in Oman are at pains to correct suggestions that Oman sees itself as the "guardian" of the Strait, partly because it is obvious that its small if efficient force could not of itself guarantee freedom of navigation there, and partly because the country is determined to maintain its present "strictly neutral stance" in the war between Iran and Iraq.

Relations with Iran are said to be correct, though as one officer put it, explaining the need to keep up the country's guard, Iran is unpredictable in the pursuit of its revolution.

Oman has a long and disputed border with Saudi Arabia, although for as long as the two states remain members of the Gulf Co-operation Council, with the implications for co-operation on security between the six states, that issue is likely to remain dormant.

Tensions between Oman and its southern neighbour, the People's Democratic Republic of Yemen, are said to have eased with the establishment of diplomatic relations, a state of affairs which Oman hopes will be reinforced following the Sultanate's decision to open diplomatic relations with Moscow last month.

However, much as Oman maintains its neutrality towards the relatively low-key conflicts of the region and publicly plays down its links with the West, it is clear where its present government's loyalties would lie in the event of major East-West confrontation.

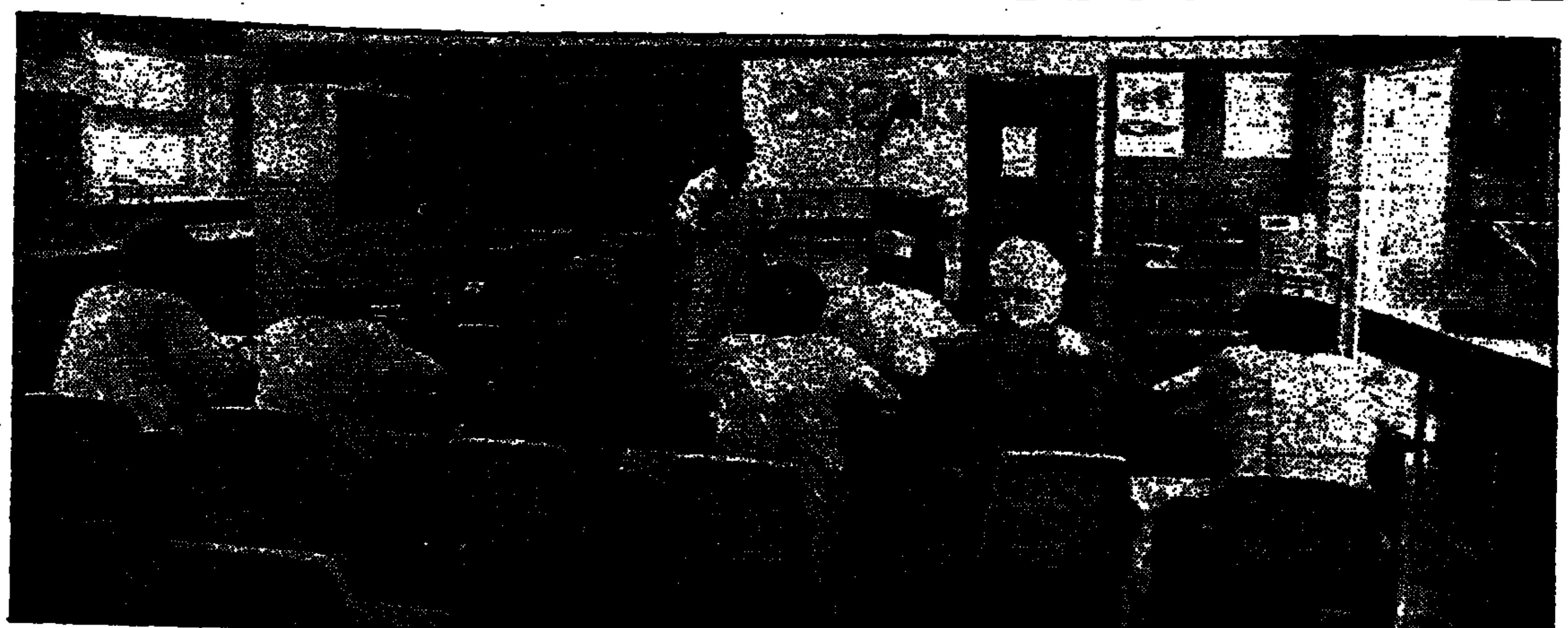
In 1980 Oman signed the so-called Access Agreement with the US which allows Washington to use the three key Oman air bases of Thumrait in the *south, the island of Masirah,* and Seeb near the capital. In negotiations just concluded the US has been given permission to pre-position equipment, designed for use by its Rapid Deployment Force, at each of the bases.

Contracts for the maintenance of the facilities at each base have recently been let to Airwork in conjunction with the US company Vinnel. The facilities are what the US calls "bare base assets" which would enable troops to be fed, housed and given medical attention as well as to pick up pre-positioned ammunition, missiles and vehicles.

The US has so far spent some $260m on these new facilities and expects to have concluded the pre-positioning of equipment by next year.

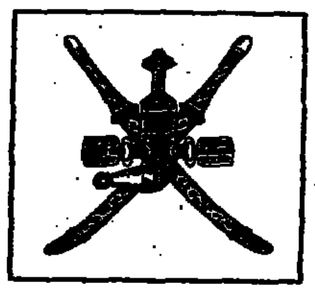
These agreements are part of a web of close if largely unpublicised defence relations between US and British and Omani forces, ranging from the use by the Western countries of Omani *firing and exercise* ranges, to fleet refuelling and joint exercises.

Army recruits in training. The Army has eight infantry battalions and a total estimated strength of 17,000



Above: the UNESCO-aided agriculture school at Nizwa and (right) the falaj system of irrigation at Biyaq. The goal of self-sufficiency in foodstuffs has become increasingly elusive

Research fails to raise efficiency



Andrew Gowers explains that, for several reasons, farming is becoming more difficult and only the few are able to make a profit.

AGRICULTURE, backbone of the Oman's economy before the advent of oil, is now the Cinderella of the Sultanate's development.

Although the Government has long been full of brave words about self-sufficiency in various foodstuffs, that goal has come to seem increasingly elusive, even illusory. It is difficult to find an optimist who will tell you that many of the fundamental problems of the sector have even begun to be tackled.

The figures speak for themselves. Of Oman's total land area of about 300,000 sq km, only 0.1 per cent is estimated to be under cultivation. Meanwhile, food imports have been rising steadily over the years, diminishing the incentives for local production still further.

To be fair, farmers in Oman have to contend with an unusually harsh environment: arid to the point where rain-fed agriculture is an impossibility, and largely infertile. And the Government has been spending considerable amounts of money trying to improve conditions—restoring battered *falajs* (the ancient, supposedly Persian-invented irrigation systems which feed the upland villages with water from underground springs), providing subsidised loans for the purchase of farm equipment, and so on.

Oman has undoubtedly come a long way from the days before 1970, when every single imported tractor had to be personally sanctioned by the Sultan.

Further, the amount of land under cultivation is said to be creeping upwards year by year. But what worries agriculturalists working in the Sultanate is that there is not much sign of an improvement in the overall efficiency of that cultivation.

And there are still many hectares of land lying idle even on the relatively fertile northern coastal plain, the Batinah; its owners, mostly hobby landlords from the city, simply find it too much trouble, or too expensive, to farm.

That is a far cry from the vision of one resident in Oman 20 years ago, who wrote: "There is no doubt that the Batinah is potentially a garden area of great wealth; it has a market that could stretch from Muscat to Kuwait, water enough, and proved capacity to produce."

The other two main categories of agricultural land in Oman — the falaj-fed villages in the mountains and wadis of the northern interior, and the grazing land of the Jebal Al-Qamar mountains in the south — have their own problems. These are availibility of sufficient water and land in the former case, and over-grazing by cattle and camels in the second.

In all these cases, the innate reluctance of most farmers to change their ways has been compounded by the lack of financial incentive to do so. The net result is a heavy drain of younger people away from the land and into the cities, where the easier money is to be made. One third of Oman's population of just over 1m is now estimated to live in the capital area.

The relatively poor performance of agriculture becomes even more obvious when contrasted with the fairly healthy state of the Omani fishing industry, the Sultanate's other pre-oil staple. Fishermen have been kitted out with brand-new Yamaha motor boats by the Government, and appear to be making a decent living supplying the high-priced markets of Muscat and other Gulf cities.

Fish remains Oman's largest single non-oil export, bringing in some OR 6.3m ($2.2m) last year, according to Customs figures, and rivalled only by copper; it is also the fastest-growing non-oil export sector.

The principal stumbling-blocks for Omani agriculture include, first, the availability of water. Nobody knows just how much of a problem this is, though the Government is making strenuous efforts to find out through its recently-established Public Authority for Water Resources.

What is certain is that it has barely rained in the Sultanate for the last three years, water levels in the wells are steadily going down, and the springs which feed the mountain falajs are flowing ever more slowly. In addition, there are reports of growing salt water encroachment in wells on the coastal plain.

This may be only part of a normal "dry cycle," but officials are worried that more water is being pumped out of the ground during this drought than ever before.

Until 15 years ago, most of the country's water came from hand-dug wells, drawn out by animal power, and from the falajs. But with the advent of drilled wells and mechanical pumps, the amount of water obtained has risen considerably, both for use on the land and in the towns.

"There is always the possibility that they are taking too much," says one expert. "We just don't know how much the decline in water levels will recover when the rain comes."

What is more, the increase in the volume of water lifted has not been accompanied by a corresponding increase in the efficiency with which it is used by farmers. "Indeed," says Dr Roderic Dutton, a leading expert on Omani agriculture at Britain's Durham University, "it is probable that water usage has become more inefficient simply because it is so easy to raise and distribute to the crops."

The second stumbling block is research and extension services. Experts say that an important key to improving Omani agriculture is selecting the right varieties of crop and persuading farmers that they could benefit financially from shifting to them.

This requires an applied research effort, backed up by efficient extension services to take the fruits of that research to the farmer.

Dr Dutton believes, for example, that there are at present too many acres under date palms—still by far Oman's biggest agricultural crop, despite high production costs and weakening demand.

Critical

Many foreign agriculturalists are highly critical of the Government's research efforts so far. The research is too "pure," they say, and frequently not into the most useful subjects. The extension service is said to be dogged with bureaucratic delays in delivering subsidised seed and fertiliser. The same, incidentally, applies to the Oman Bank for Agriculture and Fisheries, the Government's soft-lending agency for farmers.

Third, there is marketing. This has been a severe problem for farmers in the past, partly because of the small size of the Omani market and because of the short harvesting season for their crops—which has tended to mean that all farmers in a region have tried to sell their produce at the same time, severely depressing prices.

The Government, through the Ministry of Commerce and Industry, is seeking to address this problem by creating a central body called the Public Authority for Marketing Agricultural Produce. This is due to come fully into operation in the next few months, and through its network of collection and distribution centres will buy food directly from farmers and get it to market.

It remains to be seen how much the farmers themselves make use of this system, given that it is apparently not going to be paying much more than the going market rate for their produce.

But for all the Government's activity in the sector, many experts remain convinced that the basic difficulty facing farming in the Sultanate is more deep-seated.

As one agriculturalist put it: "The worst problem for Omani agriculture is the same disease as has afflicted many developing countries—the pull of alternative lifestyles. Young people are losing interest in farming very rapidly; they want government jobs or army posts.

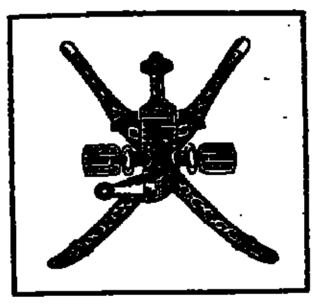
"The money you can earn in farming just cannot compete with the salaries offered in the city. In addition, people are aware that they are going to lose money on their agricultural enterprises, so there is a limit to the amount they are going to want to invest."

There are some efficient high-technology farms just about making money in the Sultanate, such as Sun Farms run by a French manager near Sohar. But they are the exception.

And while the Government does nothing to improve the returns on farming and reduce the competition from cehap imports, they are likely to remain so.

Rapid expansion raises some problems

There has been an explosion in education, with 235,000 students now in some 560 schools



There has been a huge expansion of education since Sultan Qaboos came to power, with girls now at school and learning English as well as Arabic. Bridget Bloom describes the efforts to bring literacy and higher levels of schooling to the people.

"GOOD MORNING, girls!" "Good Mor-ning, Miss!" The 35 children in the fifth class of the Wadi al Kabir primary school reply in sing-song unison, diminutive in their draped full-length white dresses.

Just beginning to learn English after four years' basic primary schooling in Arabic, the girls are among the privileged 65,000 female children now at school in Oman.

Fifteen years ago no girls went to school in Oman and—outside the Koranic system—only 900 boys were receiving formal education in just three schools. Today, according to Yahya bin Mahfudh al Mantheri, the Minister of Education, there are 235,000 students of all ages, and some 560 schools.

There has been an explosion in education since Sultan Qaboos came to power. No formal census has ever been held, so it is difficult to know precisely what percentage of school age children are actually at school.

Estimates suggest that 70-80 per cent of children of primary school age are at school in the main towns, with a lower rate in rural areas.

However, a much smaller percentage actually make it through the 12 years of formal education to take their national secondary school certificate, and so creating those who qualify for possible entry to the new Sultan Qaboos University. It is thought that the university will have about 3,000 students to choose from for its first courses next year.

This is one of the problems now becoming evident in what is overall an education success story.

Another is that the general level of education those 3,000 children have reached is not high enough, both in the science subjects to which the new university education will be particularly directed, as well as in English, one of the two languages of instruction.

The university's plans for a 12-month foundation course to give students a proper grounding in English and science is being extended to 18 months and possibly more. Omani students entering colleges or university in Britain, for example, generally need two years' preparation.

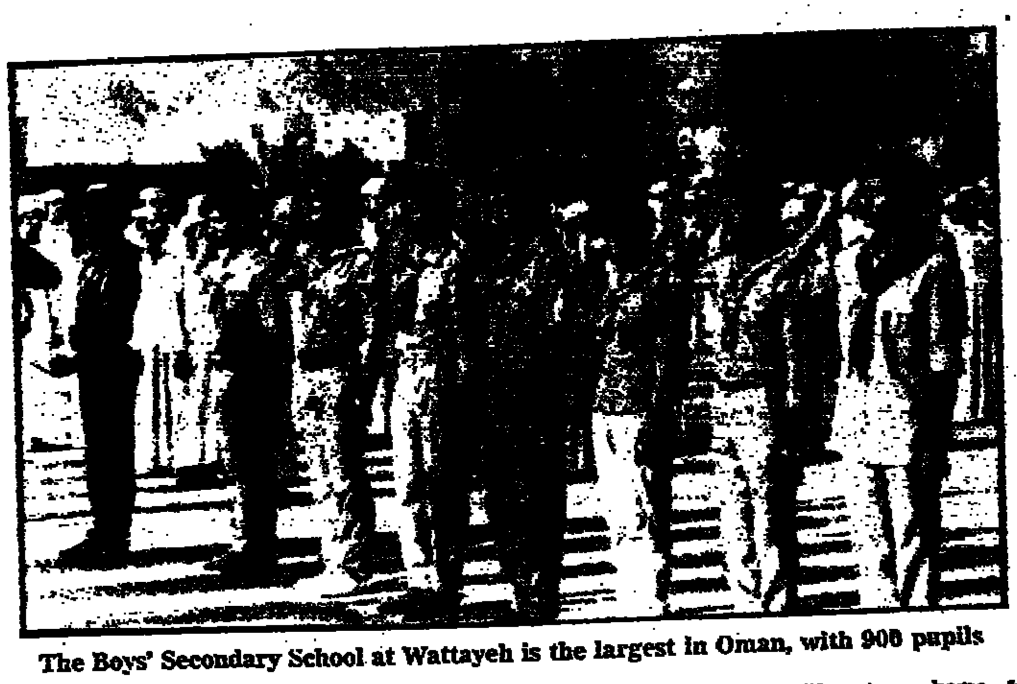
A report published recently by the Ministry of Education* suggests other problem areas, partly caused by the very rapid expansion in education, which the authorities will have to tackle over the next few years.

Its findings—disputed within the Ministry—show that many pupils who start their six-year course of primary education do not finish it. If they leave after only three years, as apparently about 30 per cent did in the sample referred to in the report, there are fears that they will revert to illiteracy.

There are also large numbers leaving at the preparatory and secondary levels (each three years). This is reported to be as high as 49 per cent—32 per cent dropping out and the rest failing.

The report also found that only about 25 per cent of those children who stayed in primary schools completed the course in the intended six years—most needed an extra year or two. And of those who left school altogether, far fewer than the government hoped continued learning in adult education centres—between 10 and 20 per cent, depending on the area.

Efforts are now being made to correct some of these problems—adult education is now provided more frequently at places of work rather than special centres, for example. The minister estimates that 17,000 are currently at literacy classes, and 40,000 at night classes of various kinds.



The Boys' Secondary School at Wattayeh is the largest in Oman, with 900 pupils

A better-documented and more widely accepted problem is the education system's heavy reliance on expatriate teachers. Government figures for 1984-5 show 1,285 Omani teachers out of a total of 8,375.

Of this number, there were almost 1,180 Omani primary school teachers against 4,190 foreigners (primarily Egyptian, Jordanians, Sudanese and Tunisians) There were only 20 Omani secondary school teachers (nine men and 11 women) against 620 foreigners (a high proportion of them British).

There is also a disparity in teaching between rural and urban areas, the latter proving more popular with teachers.

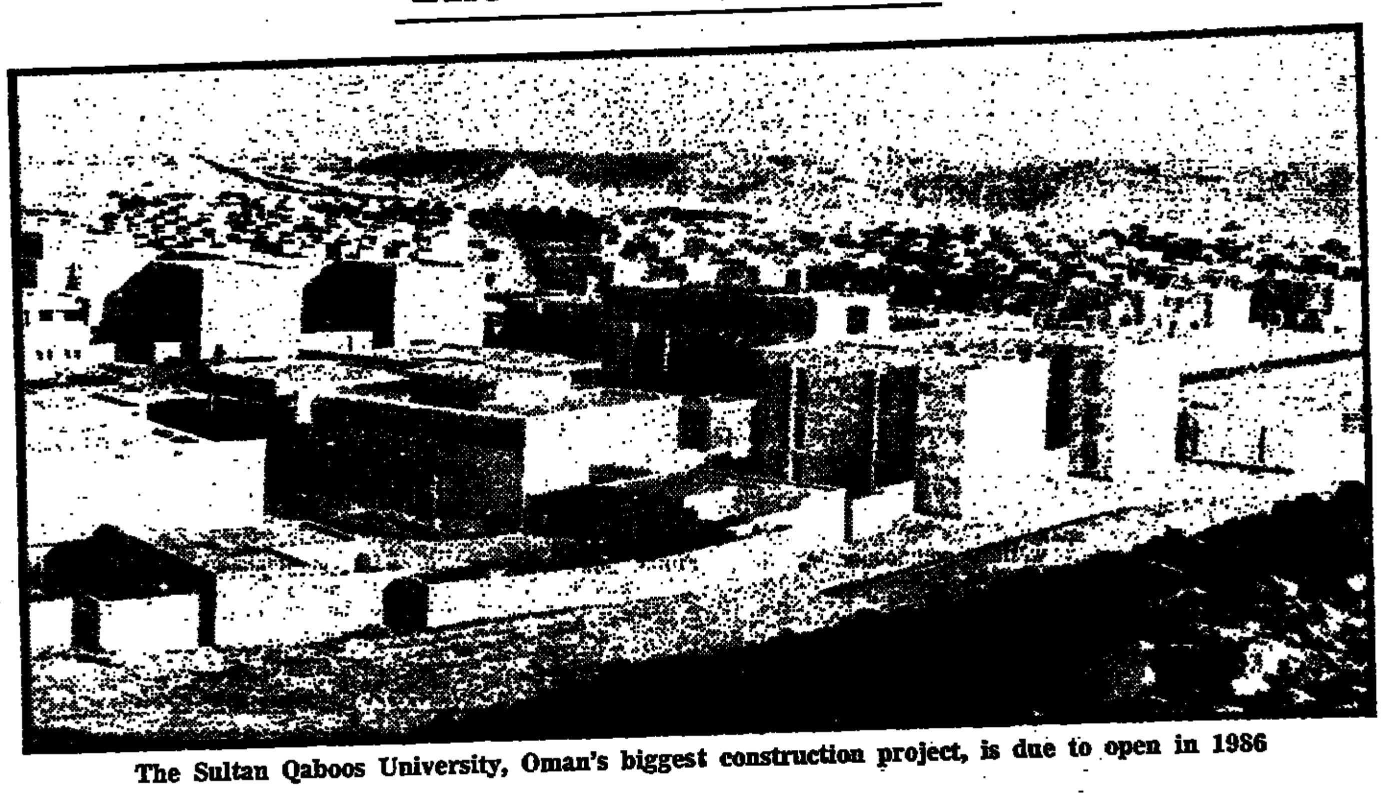
The Education Minister hopes that 45 per cent of all teachers will be Omani nationals at the end of the next five-year plan in 1990. The aim is to produce 2,000 teachers a year by the end of the century, or 80-85 per cent of the total requirement.

There are currently no Omani professors or senior lecturers, but the government says it is confident that a large proportion of the 3,000 students and 2,000 post-graduates currently at universities and colleges abroad will return home to teach.

The government scholarship committee decides which students are given grants to study abroad and 20 per cent of these will be permitted to go into the private sector. More than 80 per cent of the post-graduates are earmarked for the university, according to the Minister.

* *The internal efficiency of the Omani Educational system: a study of the phenomenon of wastage. Ministry of Education and Youth Affairs. May 1983.*

The new university



The Sultan Qaboos University, Oman's biggest construction project, is due to open in 1986

Pledge to set high standards

Oman's lavish new university opens next year. Personally supervised by Sultan Qaboos, it is intended to provide the best education and skills to suit the country's needs, says Bridget Bloom.

TWENTY KILOMETRES outside Muscat, a great grey city is rising from the desert plain. It is the new Sultan Qaboos University, due to take its first students next year, costing nearly £350m, and currently Oman's biggest construction project.

The university's concrete structures loom out of the shimmering heat and dust, soon to be beautified by trees grown in its own special nursery. Today the site's five big faculty buildings: the huge library, the lecture theatres, student and staff common rooms, laboratories, hospital and student and staff residences stand nearly complete.

The whole site is dominated by a mosque and welded together by colonnaded walkways on two levels. Like 20th-century cloisters, these are intended to provide separate access to the buildings for men and women.

Rarely can a whole university have been built with such speed and on such a lavish scale. Cementation, part of the British Trafalgar House group, won the original £215m contract in 1982. Since then inflation, changes to the specification, plus the addition of a teaching hospital (being built now partly because the nature of the project's financing has given Oman a windfall dollar income) have boosted the price to an estimated £343m today.

The deal is partly covered by the UK Export Credits Guarantee Department and involves the company in buying a large proportion of British equipment to both construct and furnish staff houses, student rooms, dining halls and lecture theatres.

An additional £65m contract to supply and install all specialised trading equipment went to the Staffordshire company of Philip Hainz International.

Sultan Qaboos has taken a keen interest in the university. It is said that he has had a hand in designing the syllabus, while he carries out his own unannounced site visits from time to time on a Friday, having his staff telephone his instructions or observations to the company's management the next day.

Suggestions that the university might be too grandiose for a country of Oman's size are given short shrift by the authorities. The Sultan's aim is to provide Omanis with an education in keeping with their traditions and culture, as well as providing the skills which he feels the country needs.

Of the five faculties, the biggest will be education and Islamic Sciences, with a maximum of 250 students a year; followed by engineering (100 students); science and agriculture (80 each); and medicine, which is intended to open with about 30 students, building up to a maximum of 72.

Sheik Amor Ali Amir, secretary-general of the university, is in overall charge in the run up to the planned opening next September, although there are about 20 lecturers and other non-Omani teaching staff already on the campus and more will arrive during the next few months.

Criticisms

According to Sheik Amor, detailed syllabuses will be worked out over the next year or two, since the first students will be on a foundation course designed to make sure their language and basic science education is of a high enough standard.

There are criticisms that the Omani educational system will not produce students sufficiently well grounded in either science or English, the main medium of instruction at least for the science-based courses. However, Sheik Amor is adamant that standards will be as high as at universities abroad, such as those in Britain. He accepts that this will probably mean an extension of the foundation course to 18 or more months instead of the year planned.

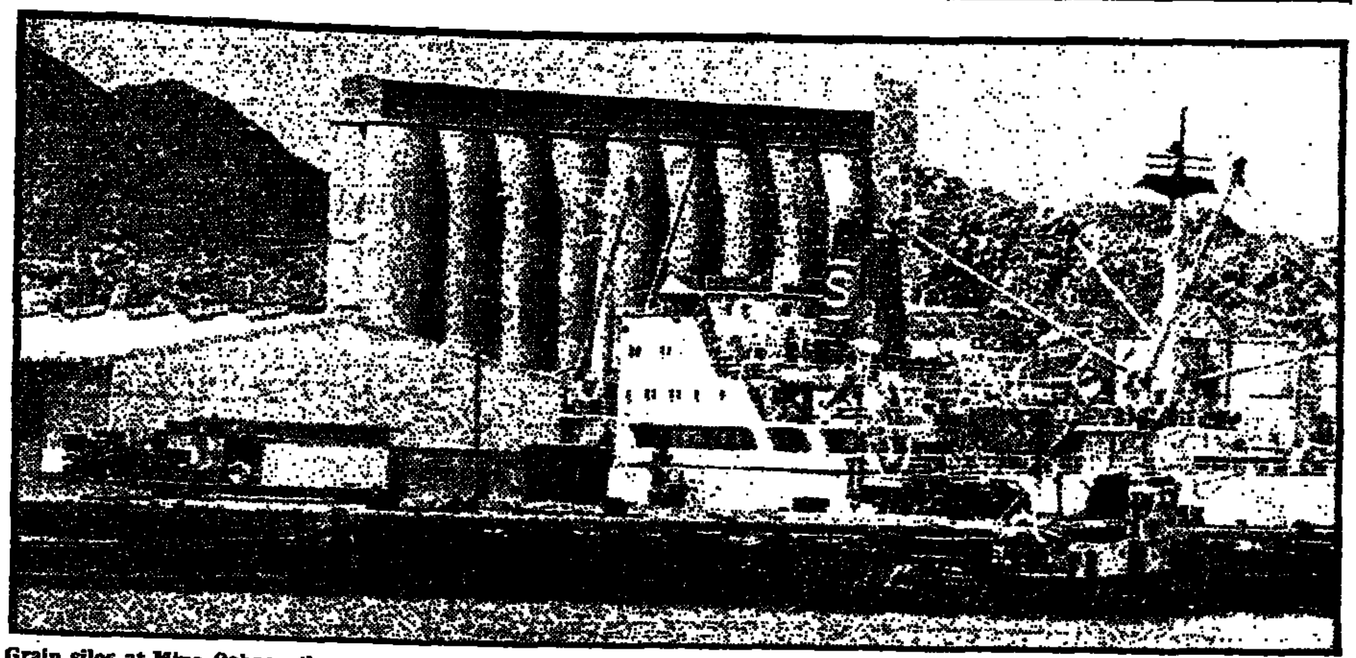
It is not yet clear, he says, how many secondary school children will take the national school certificate in the coming year, from which the university students must be chosen, but he assumes the number will be about 3,000. The university will accept fewer students than the intended annual intake of 550 if sufficient qualified students are not forthcoming, he says.

It has not yet been decided whether foreign students will be admitted to the university, although for the first few years, virtually all members of staff are likely to be non-Omani.

Sheik Amor refutes suggestions that the recruitment of well-motivated staff is proving a problem. Certainly good terms of service are being offered, with a professorial salary starting at about £50,000 tax-free.

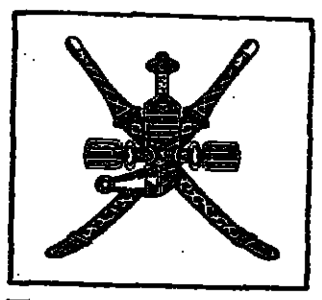
Tuition and board at the university will be free and Sheik Amor insists that the decision, on grounds of religion and culture, to provide separate facilities for men and women—apart from the walkways, they will have separate access to lecture halls, where they will sit in separate sections—will not add to the running costs.

There are apparently no figures curently available for the overall recurring costs of the university, although it is clear that they must be substantial.



Grain silos at Mina Qaboos, the country's largest port. All industry in Oman faces the problem of low demand created by the small population

Paying the price of unity



The country's small domestic market, and a flood of cheap imports, create a double disadvantage. The government has focused its efforts on encouraging businesses specialising in import substitution. Andrew Gowers reports.

AS OMAN tries to boost its industry against the day that the oil runs out, the country finds itself at a crippling double disadvantage.

The domestic market at the disposal of local manufacturers is desperately small; and, second, they have been forced increasingly in recent years to compete with a flood of cheap imports, particularly from other member states of the Gulf Cooperation Council (GCC).

Industry has certainly grown in the Sultanate since the days before oil, when the country's manufacturing activity was confined to a few craft-based industries such as silverwork, weaving and the construction of fishing boats.

According to Mr Abdullah Lamki, adviser in the Ministry of Commerce and Industry, the amount of money contributed to the gross domestic product by manufacturing plants has risen more than 40-fold since 1975. But its share of total GDP remains tiny, between 3 and 4 per cent according to figures produced by the Government's Development Council.

Oman's policymakers are all too well aware of the problems involved in getting industry off the ground in any oil state, where more money can be made more easily by the private sector through trading and speculating in property than by making long-term investments.

That is compounded in the Sultanate by what officials term the low absorptive capacity of the economy: a population of only just over 1m is unlikely to generate sufficient demand to render any large manufacturing operation viable.

For this reason, the Government has focused its efforts on small- and medium-sized businesses specialising in import substitution, preferably using domestically-obtainable raw materials.

Mr Lamki says: "For the next 20 years, we have ruled out heavy industry altogether. It would be a mistake for us to try to run before we can walk."

The problem with imports seems more intractable. For, as Oman officials see it, some local industries are being prevented even from learning to walk by subsidised competition from elsewhere in the Gulf. Electricity, gas and water rates for industry are much higher, for example, in Oman than in Saudi Arabia. Even factory rents on the Sultanate's fledgling industrial estate at Rusail, at RO1 per square metre, cannot match the generous incentives offered by its big western neighbour.

Oman can only protect its infant industries to a limited extent. The Sultanate was a signatory to a 1981 GCC agreement to phase out import duties and other trade barriers between member states. Luckily, it was given a temporary exemption from this for eight key products—allowing Oman to raise customs duties of up to 20 per cent on cement, for example.

But some officials maintain that even this has not been enough to shelter the Oman Cement Company, which only recently started production, from cheap competition from Saudi Arabia and the United Arab Emirates. And it will not be long before that exemption expires.

"Unity has a price," says Col. Salim Bin Abdullah Bin Ghazali, Oman's Minister of Commerce and Industry, referring to the GCC. "But if we go on like this, we will not have any industry in Oman."

Subsidies

Several GCC committees are beavering away trying to find a formula under which the gap between the indirect subsidies offered to industry by the various member states would be closed, and it was set to be an important issue at this month's regional summit.

Col al Ghazali insists: "The gap has to be closed by other countries cutting their subsidies, but that is just not happening."

Oman clearly could not afford to offer subsidies on the scale provided by its richer neighbours. But even if it could, it would probably be inhibited from doing so by its political attitude. There is a deep-seated opposition to heavily subsidising industry at every level of Government, from the Sultan downwards.

Successful enterprises started by the Government, like the Oman Flour Mills, have tended to be sold off to private investors as soon as they could stand on their own feet.

"As soon as you give people something for nothing, they will think of it as a right," says Col al Ghazali, in a phrase of which Mrs Margaret Thatcher would be proud.

"What we want to do is give incentives so that the private sector can work," says Mr Lamki. "We don't want them running to government every time they get into trouble."

Behind the rhetoric, the Omani Government does offer considerable incentives of its own, including 20-year interest-free loans, tax exemption for all 100 per cent Omani-owned companies, grants for project feasibility studies, and so on. Imports of equipment for local factories are duty free, and for foreign companies there are no restrictions on transferring profits abroad.

The Government, which needs foreign technology and more importantly expatriate expertise, is now keen to encourage foreign companies to set up plants in the Sultanate, rather than just regarding it as a market to be supplied with goods and services from home.

Its preferred formula is the joint venture with majority Omani ownership, although it is prepared to consider other options.

The minister has his eye on between 20 and 30 projects over the next five years, in areas which include food processing, building materials and household equipment (assembling air conditioners is one example).

His officials are also examining the feasibility of setting up downstream copper industries to process metal from the Sohar smelter and of setting up several more industrial estates, the first of which will probably be at Sohar on the northern coast.

But the Sultanate has a long way to go before its industry will be in a position to help the country significantly once the oil runs out.

Problems mar copper success

Oman's production, though modest by international standards, is an important additional source of revenue, says Andrew Gowers

THE ROAD west from Sohar twists and turns through the ruggedly beautiful foothills of the western Hajar mountains. All around the landscape looks increasingly arid and empty as you make your way from the fertile coastal plain.

Yet suddenly, between two crags, you spy a wisp of white smoke, then a chimney, then a full-scale industrial plant. This is the Sohar copper smelter and refinery, part of Oman's first and only integrated metal mining operation and one of the very few copper-producing plants in the Middle East.

Together, the mines, smelter and refinery operation represent the flagship for the Sultanate's efforts to diversify exports away from oil. They are producing 14,000-15,000 tonnes of high-grade copper cathodes a year, all of it for export.

This is small by international standards, but nonetheless an important additional source of revenue for Oman, bringing in an estimated RO 5.74m ($17.2m) last year.

It is by no means the first time that copper has been produced in the region; in Old Testament times there were mines dotted all over what is now known as Oman. From about 3,000 BC, copper was exported to the Sumerian empire in Mesopotamia, but mining stopped in about 940 AD.

Near the modern smelter and mines, countless traces of the old workings can still be found, including thousands of tonnes of ancient slag, which is now used to make abrasives.

The present mines date from 1973, when two companies — Prospection of Canada and Marshall of Texas —obtained an exploration concession for 47,000 sq km of territory in Oman. Within a few years they had found more than 100 mineral prospects.

Three deposits, quite close together, looked particularly promising—two of which were developed into what are now the Lasail and Bayda mines. A concentrator, smelter and refinery were added, and production was in full swing by mid-1983.

Premium

Total capital cost of the development was $213m, $100m of which came from the Saudi Fund for Development and the rest from the Omani Government itself.

The operation, run by the 100 per cent Government-owned Oman Mining Company, produces cathodes which are acknowledged to be of unusually high quality and therefore command a significant price premium on the world market.

They were listed as a recognised brand on the London Metal Exchange in double quick time, and Britain's Amalgamated Metal Corporation has a contract to take some 12,000 tonnes a year, mainly for customers in Europe. The rest is sold on the spot market.

In addition, OMC generates some small extra revenue from the gold and silver that is present in the smelter residues—the so-called "anode slime" — which Johnson Matthey extracts and ships back to Oman for sale in the country's gold and silver souks.

The venture employs about 800 people and has provided considerable benefits to the otherwise fairly deprived northern region of the country. Infrastructure such as roads, a power station, a jetty and a small town for employees accounted for nearly half the capital cost, and the plant provides electricity to nearby towns.

There are also plans for the establishment of downstream copper industries nearby.

But though it can be considered a success in these terms, the operation faces a host of other problems.

The most obvious is the glutted state of the world copper market. Prices, currently hovering between 60 and 70 cents a pound, are well below what they were expected to be when the mine was established, and large quantities of metal lie around outside the smelter—sold but not delivered.

The low level of prices has already taken its toll at Sohar; it breaks even at an operating level but after depreciation is making a loss. Plans for a third mine, Aarja, which was supposed to come into production next year, have been shelved for the time being.

Second, there is the grade of the copper deposits being mined. The plant was built in the expectation of ore grades of about 2 per cent, but only 1.7 per cent on average is being obtained.

This means that the smelter and refinery are running somewhat short of their design capacity of 20,000 tonnes a year.

Smelting

Most worrying is the expected life of the deposits. The Bayda mine is expected to expire as early as next August, while Lasail—which contains some 70 per cent of all the copper found in the immediate vicinity—has a maximum of eight years of life left.

Bishi Mining of Japan has an exploration contract to look for more copper within a 30 km radius of the smelter, and OMC officials believe that deposits will be found. But they may not be large enough to be economic.

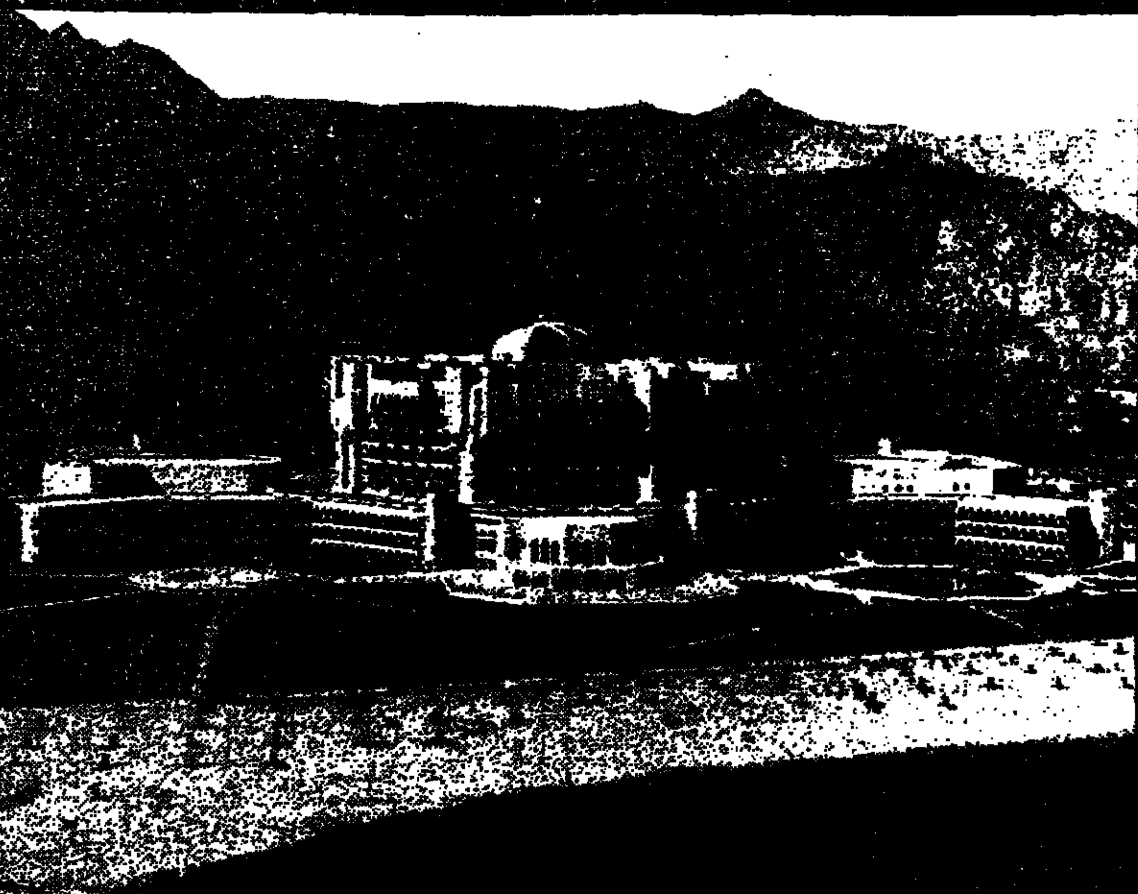
As a result of the immediate concern, OMC is considering using its plant for toll smelting of imported concentrates, either after the Lasail mine expires or before that, to extend its life.

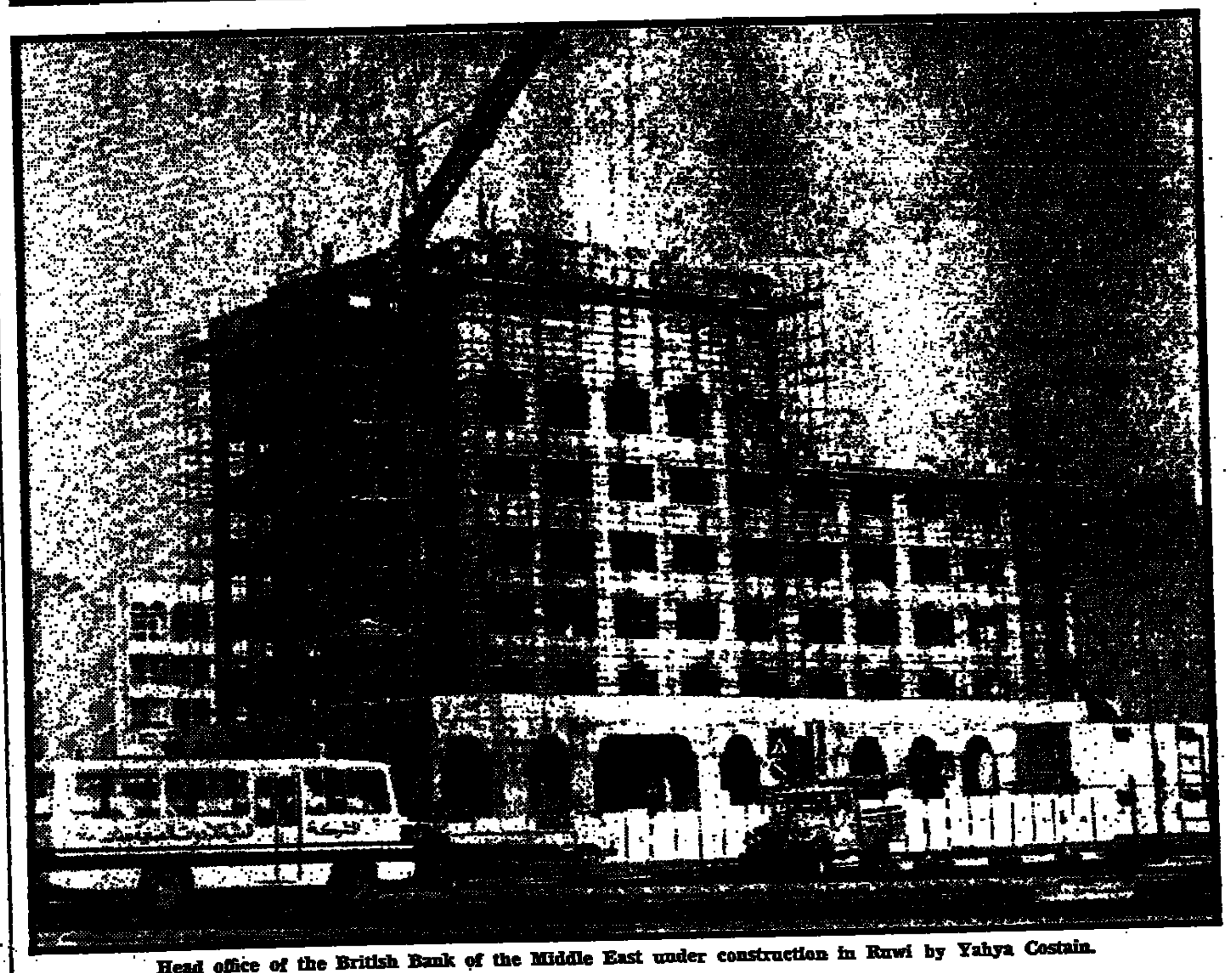
Though there is a world surplus of smelting capacity and an apparent shortage of concentrates, officials believe the Sohar operation has two advantages: its relative proximity to India, which exports a lot of concentrates for processing in Japan at present; and the low freight rates on ships from Oman to Europe.

Even so, the fact that the copper is likely to run out soon might be said to put the initial heavy investment in a hard light.

As one foreign observer put it: "Anywhere else in the world, they would never have built a smelter and refinery for such a low tonnage, especially in such a remote location where you have to provide all the infrastructure."

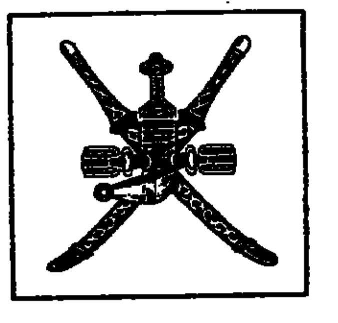
In the present climate, the wisdom of the decision to do so has yet to be shown.





Head office of the British Bank of the Middle East under construction in Ruwi by Yahya Costain.

Rapid pace expected to slow



The industry has grown at a frenetic pace, in line with the rest of the economy. Andrew Gowers describes how the new business is being shared out differently between the banks.

THE British Bank of the Middle East has been part of the financial furniture in Oman since 1948. It was the first bank to be established in the Sultanate, and for 20 years had a monopoly probably without parallel—acting as commercial bank, central bank, finance ministry and the former Sultan's personal banker as well.

So when BBME, which is owned by Hongkong and Shanghai Banking Corporation, decided last year to sell off three-quarters of its branch network in the country to a smaller 100 per cent Omani-owned rival, it was the clearest possible indication that something fundamental is changing in Oman's banking industry.

In a deal worth RO 5m ($1.75m), 14 former BBME branches went to Oman International Bank (OIB), giving it the second largest network after National Bank of Oman.

But BBME is not withdrawing from the market. Far from it; in terms of assets and deposits it was still the second biggest bank at the end of last year. What it has done is to regroup and refocus its activities.

"They didn't see their role as running a large retail service in the domestic market," says a banker. "They wanted to concentrate on medium-sized to large trading companies."

It is a trend which can be seen all over the banking system, and one which is probably an inevitable accompaniment to the expected slowdown in economic growth over the next few years.

The banking industry has grown by leaps and bounds, in line with the rest of the Omani economy. Last year, for example, total assets soared by 21 per cent to RO 1.22bn, with 40 per cent of the increase accounted for by an expansion of credit to the private sector.

Bankers expect the total cake to continue growing over the next few fears, though at a less frenetic pace. But the new business is being shared out in a different way between the 22 banks allowed to operate in the Sultanate.

The fastest-growing banks are now majority- or wholly-owned by Omani investors; National Bank (which now has more than 50 branches), OIB, Bank of Oman, Bahrain and Kuwait and, at the smaller end of the scale, Al Bank Al Ahli Al Omani.

They are hastening to extend their branch networks and step up retail services, while the foreign banks prefer to stick with a relatively small number of branches and concentrate on corporate accounts.

The reason for this growing divide lies in a mixture of economics and regulatory politics. There is no doubt that the big banking money still resides in the capital, Muscat. That is where the majority of trading activity takes place and where the all-important project payments from the public exchequer originate.

Lending opportunities in the regions remain extremely limited, and—given the rural population's relative lack of sophistication with regard to banking services—there is as yet no great deposit base in the interior waiting to be tapped.

Lending

As a result, the capital city has tended to become overbanked (though not nearly as badly as in some neighbouring countries such as the United Arab Emirates), while banking services have in the past been slow to grow in the interior. Even that money which is drawn into the banking system from the regions is often deployed for lending in Muscat.

The Central Bank of Oman is out to change all that. For some time, it has stipulated that any bank wishing to open a new branch in the capital must first open two in the interior.

"We have reached the stage of a different kind of expansion," said an official. "Banking in the capital has reached saturation level.

"We don't need any more banks. What we need is an expansion of banking services throughout the country. We do not want to repeat the mistakes of others by denying banking services to the rural areas."

The CBO's central bank's logic is impeccable. But the compulsion to set up branches in the regions undoubtedly will increase the costs of the banking industry as a whole without necessarily boosting its volume of business sufficiently to compensate. In that sense, BBME's reduction of its branch network is a telling commentary.

The regional bias is only one way in which the grip of the central bank is being felt more acutely these days by the banking sector—already one of the most tightly regulated in the Middle East.

The central bank's controls include:

● Fixed ceilings on interest rates which banks can pay on private sector deposits (9.5 per cent) and charge on loans (11.5 per cent).

While this would appear to guarantee a fixed profit on lending operations, bankers complain that their margins are in practice frequently squeezed because their more powerful customers can command lending rates significantly lower than the official ceiling.

In addition, the deposit rate ceiling does not apply to government funds.

● A limit on foreign currency exposure. Banks are not allowed to hold foreign exchange positions amounting to more than 40 per cent of their capital and reserves.

This rule was imposed when there was a significant outflow of funds from Oman into higher-yielding Euromarket deposits. Eurodollar rates are now below the Omani interest rates, so that trend has been largely reversed.

But the rule has had the effect at times of bottling up excess liquidity which cannot be put to productive use within the country because of the paucity of lending opportunities in the private sector and on the money market.

In fact, this is not a problem at present, because the banks are having to extend large overdrafts to their customers as a result of project payment delays; overnight interbank interest rates are currently above 7 per cent, indicating a degree of monetary tightness rare for Oman.

Lately, the authorities have been trying to push the banks in three main directions.

First, the Central bank is putting constant pressure on them to increase their capital. Last year, it raised the statutory capital/assets ratio to 1:25 from 1:27—still quite generous by western standards. And at the beginning of 1985 it told the banks to include a proportion of contingent liabilities such as letters of credit and guarantees in their total assets.

Second, the Government has singled out the banks to lead the way in "Omanisation." By the end of this year the banks were supposed to be 90 per cent staffed by Omanis. Most of them are far off this target and there are frequent complaints of a shortage of skilled recruits, despite the creation of an official bankers' training institute.

Third, the central bank is mounting a determined effort to increase the sophistication of the local credit market. Its main target is the post-dated cheque, still the favourite way of doing business among Omani traders. The central bank wants to encourage them instead to use officially-recognised, discountable commercial paper, which would enable it to keep closer tabs on the market.

Earlier this year the bank observed somewhat tetchily that banks had been "lukewarm" in complying with a previous requirement that they should hold 10 per cent of their loan portfolio in the form of discounted bills. From next April, therefore, they will only be able to make ordinary loans to the value of 75 per cent of their total deposits, compared with 85 per cent now.

Worried

If they want to lend the full 85 per cent, 10 per cent of it will have to be in the form of discounted bills.

Some banks are very worried by this prospect. They doubt whether traders will agree to abandon the post-dated cheque in favour of other types of paper, unless the former is outlawed altogether, and fear that their total lending will have to drop as a result.

"This is assuming a fundamental change in ways of doing business," says one banker.

The central bank argues however, that the new rule will inject additional flexibility into the banks' portfolios, in that they will be able to rediscount such commercial paper at the central bank's discount window when they need to. Its main objective is to divert funds from consumer credit to proper corporate and trade finance.

The banks eventually will knuckle under. Whatever their complaints, they cannot argue that tight central bank regulation has significantly dented the sector's overall profitability over the past couple of years. After an admittedly stagnant 1983, gross bank profits rose by some 28 per cent last year to OR20m.

In the long run the central bank probably would like to see some reduction in the total number of banks in Oman, but rationalisation is not urgent. "We have no problem banks," says an official.

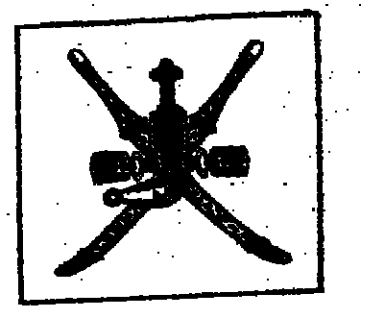
The big five banks

(in Rm)

	Year of establishment	Assets 1983	Assets 1984	Deposits 1983	Deposits 1984	Branches 1983	Branches 1984
1 National Bank of Oman	1973	288.8	359.7	211.0	251.5	48	50
2 British Bank of the Middle East	1948	103.9	103.8	91.8	73.7	18	4
3 Oman International Bank	1975	58.7	96.0	30.9	69.7	5	19
4 Bank of Credit and Commerce Intl.	1974	68.8	85.9	58.6	71.1	12	12
5 Bank of Oman, Bahrain and Kuwait	1974	62.8	78.7	47.1	56.9	12	17

* Ranked by assets.

Procedures and practices for specific needs



Nearly all of Oman's law dates only from 1970, which has enabled the Sultanate to develop commercial legislation to suit its modern requirements, says John McHugo.

IT IS virtually unheard of for a lawyer in practice in Oman to need to refer to a law or decree promulgated before 1970. All the commercial laws in force in the Sultanate are subsequent to the accession of Sultan Qaboos, and if any commercial legislation existed before (which is doubtful) its memory and effect have sunk without trace.

The country does not have a written constitution, and all legislation is contained in Royal Decrees, Laws and Decisions promulgated with the Sultan's authority. The functions of the ministries and other organs of government, including the power to issue delegated legislation, are set out in the law setting up the Administrative Apparatus of the State (1975) and subsequent legislation.

The Omani Authorities have not sought to adopt the legal system of another country but have striven to develop their own. Much legislation is similar to that which has been promulgated in other Gulf countries, and tends to reflect the influence of Egyptian (and thus ultimately French, Napoleonic) law, on which the laws of most other Arab jurisdictions are based.

However, it is important to realise that this is no more than a tendency and that Omani commercial law and the procedures and practices in accordance with which it is put into effect have been designed to meet the specific needs of modern Oman.

As no pre-1970 developments had left a mould in which the legal system would have to be cast, the authorities have been able to develop it in their own way and at their own speed. The result is a rapidly growing system of law which has its own particular characteristics.

Evolution

A good example of how Oman has developed an institution to serve its own requirements is the evolution of the body which has jurisdiction in commercial matters. In 1974, when the Commercial Companies Law was promulgated (ten years before that of the United Arab Emirates) it contained a chapter setting up a body within the Ministry of Commerce and Industry called the Committee for the Settlement of Commercial Disputes.

It was composed of merchants noted for their integrity and commercial expertise, and had judicial power to decide cases. It was inspired by earlier, informal, arbitration committees. Under its revised constitution of 1975, the under secretary in the Ministry was chairman and the other members included high-ranking civil servants from the Ministry and the President of the Chamber of Commerce and Industry as well as merchants.

The idea behind the committee was that the members on its bench would have a feel for the rights and wrongs of commercial disputes and would be able to penetrate straight to the heart of a matter. It was a relatively informal body, and it decided most cases very quickly, within a matter of a few months of the filing of the original plea.

It awarded judgments for the payment of interest when parties of equal bargaining power had agreed that interest would be payable at a reasonable rate, but in the case of an insolvent debtor (and in the absence of law covering bankruptcy in any detail) payments of interest would often tend to be postponed until all debts of specifically capital sums had been repaid.

In early 1984 its jurisdiction was transferred to a new, independent body, the Authority for the Settlement of Commercial Disputes, which is not under the control of the ministry. The establishment of the Authority thus appears to introduce the doctrine of the separation of powers into the Omani legal system.

Its bench includes experienced commercial judges, the first of whom have been recruited from Egypt, and retains the expertise of the representatives of the Ministry of Commerce and Industry and the chamber of commerce and industry. The reason for the introduction of the Authority is the increasing sophistication of Omani legislation and the commercial environment.

It is a more formal body than the committee but it preserves the latter's advantages of the speedy resolution of disputes and the absence of red tape. Although its procedures owe much to civil law models, it equally has a large debt to intrinsically Omani ideas of mediation and compromise.

This is particularly apparent when the Authority applies principles of justice, equity and commercial custom in the absence of any express provision in Omani law. It is noteworthy, too, that government bodies may agree to be a party to a dispute before it in the same way as any other litigant.

As at the end of October 1985, important commercial legislation in Oman includes laws regulating banks, insurance companies, civil aviation, commercial agencies, the establishment of industrial projects, execution of government contracts, government tenders, labour, registration of commercial enterprises and of title to land, and investment and trading by foreigners.

There are major areas of commercial law in which little legislation has been enacted; the obvious examples being contract and tort. This inclines lawyers to adopt a cautious approach, and to try to allow for every possible contingency in their drafting, in the manner of lawyers in common law countries.

Tax status

Developments in commercial law which are expected in the near future include clarification of the tax status of wholly Omani-owned companies (the provision exempting them from income tax on companies expired on June 30 last) and the introduction of a commercial code (widely rumoured to be based on the Kuwaiti code of 1980 but adapted to suit the needs of Oman).

There is much speculation as to its contents, particularly as to whether it will contain provisions regulating bankruptcy and intellectual property.

The impact of the Gulf Cooperation Council and the movement towards the harmonisation of the laws of the member states remains to be seen, but it is hard to see the Omani authorities amending Omani law unless they are certain that the amendments will be in the interest of Oman and consistent with the established pattern of Oman's development.

John McHugo is a partner in Trower, Still and Keeling.

Muscat: the capital nestles between mountain crags beside the sea

Ancient and new in harmony

This friendly and beautiful country with its mountains, villages and spectacular coast offers many delights, free of the tourist crowds, says Andrew Gowers.

THOUGH THE Sultanate has burst dramatically into the 20th century over the last 15 years, it is still a closely-guarded secret as far as the world's tourist industry is concerned—essentially because it is difficult to obtain visas for anything but a business trip.

One day, perhaps, the package-tour hordes will be admitted. But before that happens, there is much for the foreign visitor and the large contingent of resident expatriates to savour.

The capital itself, for example, is unique: an extraordinary straggle of towns and villages nestling between a set of huge and forbidding mountain crags beside the deepest of deep blue seas.

Each district has its own character and although they are now efficiently linked by an impressive network of Los Angeles-style freeways, each is worth exploring in its own right. For example, the bustling business district of Ruwi, a town which has mushroomed from nothing in the last decade or so; and the posh coastal resort of Qurum, with its ostentatious white houses and beautiful sandy beach.

Everywhere you look as you travel back and forth, a different angle emerges, or a new view, and you really do have to keep pinching yourself as a reminder that only a fraction of this existed before 1970. Down there, huddled and hidden on the coast, are the modern tubes and tanks of the Mina al Fahal refinery. Up there, perched precariously on a promontory, the picture-book fortress of Jalali, Muscat's notorious prison in the days of old Sultan Said Bin Taimour.

The heart of it all lies in two adjacent but completely-contrasting districts: Muscat proper and Muttrah. Walled Muscat is secretive, inward-looking and ancient-feeling despite the relative newness of many of its buildings.

The Sultan's recently-built palace there sits at the centre of a small and quite enclosed bay. Next to it, pregnant with historical significance, the white and sandstone British embassy; above, one on each side, ever-watchful, the forts of Jalali and Merani.

Not for nothing was Muscat dubbed "the hidden port" by the old Greek navigators, protected from behind by the mountains, sheltered from the front by one of the most perfectly-formed natural harbours.

Muttrah, the area of the trading souks, by contrast, is bright, breezy and open. The wide bay, now lined with a modern corniche road and a port, seems to have its arms outstretched to welcome the ships calling there. Along the seafront is a row of elegant old white Omani houses, complete with tastefully-decorated balconies.

And in the narrow alleyways behind are the gold, silver and textile merchants, babbling not in Arabic but in tongues from further afield. Many of the traders are Shia Moslems, originally from Hyderabad, or Baluchis rather than native Omanis, although they settled in Muttrah mostly more than 100 years ago—just one facet of the Sultanate's astonishing ethnic mix.

Muttrah is the area where most visitors come in search of gifts. Silverwork is a key speciality of Oman, though much of the best old stuff is said to have disappeared from the souks years ago.

You can still see ornately decorated daggers—known as khanjars—tucked as a status symbol into many Omanis' belts.

The royal palace in Muscat, home of the Sultan

You can buy newly-made examples, too—at a price. Gold jewellery, however, appears to have become at least as fashionable in Muttrah, and much of this is imported.

There is also a roaring trade, both here and in Nizwa in what purport to be siver Maria Theresa dollars, the old Portuguese coins which until the 1960s were one of the Sultanate's numerous competing currencies.

Then there are the delights of the coast. The road leading from the east of Muscat past the fabulous Bustan Palace hotel, built especially for the Gulf Co-operation Council summit, takes you up into the mountains and to some spectacular views over the sea.

Forts

Further on is the delightful fishing village of Qantab, apparently unmoved by the march of progress brought to its doorstep by the modern dual carriageway, or by the spanking new fishing boats lined up on the shore.

To the west of the seemingly interminable capital area, and its new airport at Seeb, lies the Batinah plain, a long flat silty sliver of land which for much of coastal Oman's chequered history was a battleground between hostile foreign powers.

The forts, dotted along the plain like Crusader castles, are a reminder of these times. But otherwise the coastal villages are quiet, retiring places, getting on in their modest way with fishing and agriculture. Farmers tend their tiny flood-irrigated plots between scraggy groves of date palms and houses shut off from the world by high plastered walls, or lined up in rows of corrugated iron and palm fronds.

The capital of the region, and of all Oman at one time, is Sohar, now a sleepy town dominated by a white and slightly crumbling fort. Here, too, the Omani mania for modernisation has made its mark. The old souk has been erased in preparation for some new development.

One of the favourite weekend pastimes of the more adventurous expatriate in Muscat is also an excellent way of at least getting a flavour of old rural Oman.

For this you need an extremely hardy four-wheel drive vehicle, to drive up the rocky mountain tracks of the Jebal Akhdar, plus a cool box packed with lunch and, preferably, a smattering of Arabic.

Once you leave the palm-lined oases of the plain and start bouncing up the dry river beds (the wadis) into the mountains, you are in a different world. Vegetation dwindles to nothing, and the rocks all around look as if they have been bleached and scrubbed.

Then you chance upon a village, houses and palm trees crowding around a water source in an otherwise arid and inhospitable terrain. The people, however, are welcoming. They will proudly show you their recently-restored water supply system and if you are lucky, invite you into their houses for interminable cups of cardoman-flavoured coffee; a feast of pomegranates and dates, or halwa, the favourite Omani sweet made of ghee, honey, nuts and spices and tasting a bit like Turkish delight.

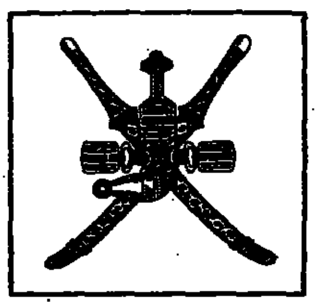
Another fascinating excursion from the capital—largely by metalled road this time—leads south-west up the Sumayl gap to Nizwa, former capital of the Omani interior and focus of resistance to the Sultan in the 1950s. The town is now a thriving centre with a busy silver souk—said to be Oman's best—and its own date-packing plant.

Old and new are again relentlessly juxtaposed: the antiquated round fort sits squatly like a crenellated gasometer next to a new mosque: the hubbub of a traditional livestock mart selling local cattle and goats is round the corner from a large vegetable market selling imported produce from the unlikeliest of places.

Further up the grey, gravelly wadi from Nizwa lie more oases: the pretty village of Hamra with its solid, prosperous-looking mud-baked houses and shaded watercourses; the potteries and alfalfa fields of the old walled settlement of Bahra; the imposing fortress of Jibreen with its ornate painted ceilings (to visit which you need to get a pass in advance from the Ministry of National Heritage).

Fishermen unload their catch at Mutrah en route to Muscat's restaurant tables

Where to stay, getting about



BY ROGER MATTHEWS

HOTELS

Muscat Intercontinental. (Tel: 600500, Tx 5491). Almost on the beach north of the prime residential district of Qurum. Convenient for most government ministries, and new motorways give easy access to commercial area. Comfortable and efficiently managed.

Bustan Palace Hotel. Built for this month's summit meeting of the *Gulf Co-operation Council*, soon to open to the public. Also managed by Intercontinental and prices likely to reflect its luxurious fittings.

Gulf Hotel. (Tel 560100, Tx 5416). Also on the beach at *Qurum. Popular with visiting* business community.

Sheraton. (Tel 795790, Tx 3353). New 18-storey building in the business district close to chamber of commerce. Opening to the public.

Al Falaj. (Tel: 702311, Tx 3229). In Ruwi, Oman's first established hotel has been modernised and is popular with expatriates.

Ruwi Hotel: (Tel 704244, Tx 3456). In Ruwi and recently substantially extended. British-style pub, squash courts and snooker room. Popular with expatriates.

Seeb Novotel: (Tel 510300, Tx 5199). Modern building, close to airport.

Prices range from about RO 25 to RO 37 for a single room. Less expensive hotels include the Mina (Tel 711828, Tx 5350), the Mutrah (Tel 798401, Tx 526) and the Al Nahdha (Tel 712385, Tx 5610).

Outside the capital area is *the Holiday Inn at Salalah* (Tel 461777, Tx 7368), on one of the world's loveliest beaches; a modest but comfortable motel at Nizwa (Tel 410500, Tx 8001) *and a new hotel due to open* shortly in Sohar.

Warden of the castle at Jabrin, which has just been restored to its former glory

VISAS

It is necessary to obtain a *No Objection Certificate*, usually through a local sponsor. Apply well in advance. The NOC is usually collected on arrival at Seeb airport.

TAXIS

Readily available at the airport, main hotels and parts of the capital. Sudden shortages can occur, especially in late evening. Vehicles are not metered so negotiate the price in advance. Tariffs are advertised in the main hotels. From the airport to hotel the price is about R0.5. Car hire is also available from the main hotels.

ALCOHOL

Available in hotels, but *British-style licensing hours* apply. Some restaurants are dry. Expatriate residents may apply for a licence to purchase liquor.

BUSINESS HOURS

Ministries work from 7.30 am to 2 pm, Saturday to Wednesday, finishing an hour earlier on Thursday and closed on Friday. Companies follow a similar pattern but many close an hour earlier for lunch and return from 4 pm to 7 pm except on Thursday.

CLIMATE

Hot from April to the end of October with temperatures often in the 35 C to 44 C range. Can also be very humid on the coast. Warm winters with sometimes chill evenings.

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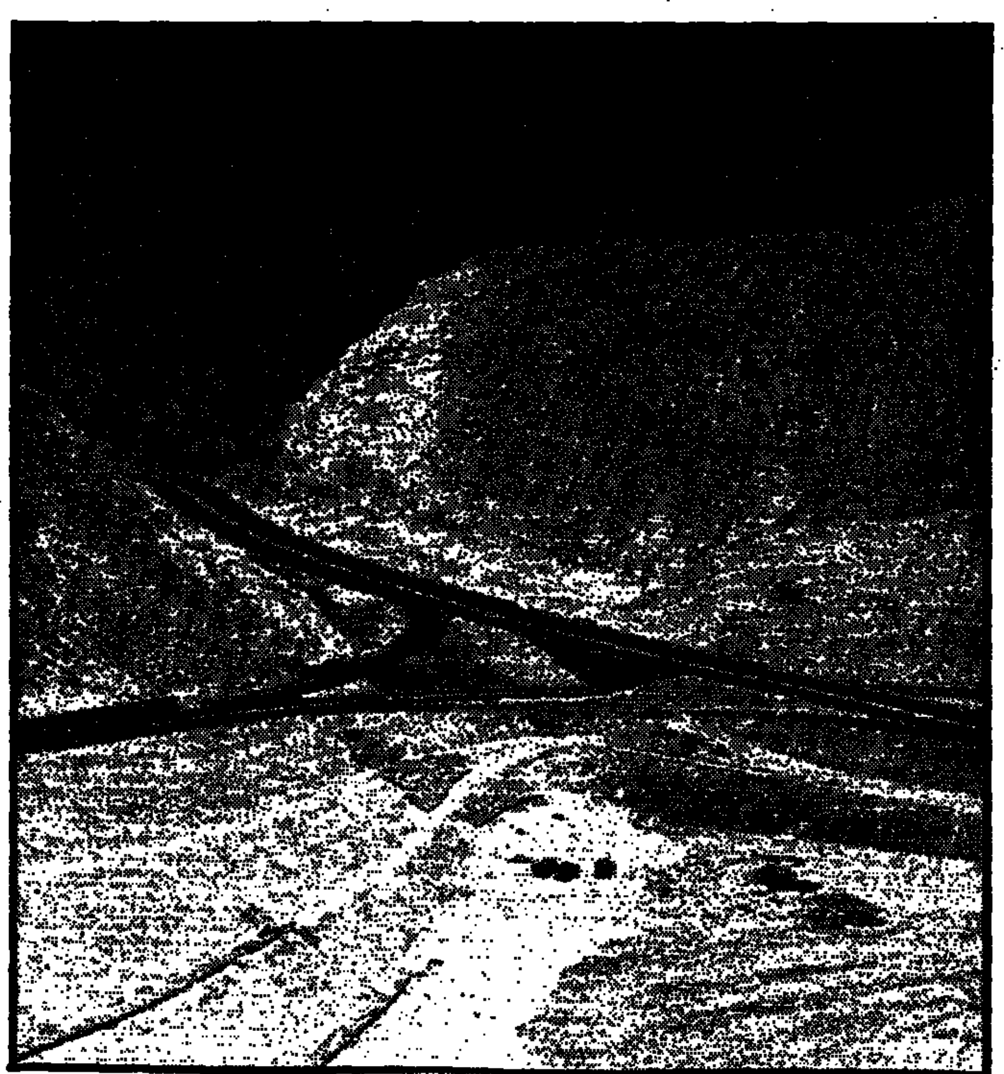
Where soldiers fear to tread, by Sir *Ranulph Fiennes* (Hodder and Stoughton, London 1975). Another first-hand account of fighting in Dhofar. Oman, a MEED Practical guide. *(Middle East Economic Digest*, London). The second edition of this publication provides the best available combination of background and useful current information *for visitors to the* sultanate.

There are a number of heavily illustrated travel books, several of which are published by the Ministry of Information in Muscat.



Six-lane highway over the mountains from Ruwi to Al Bustan. Road communications in the Sultanate have improved enormously

Andrew Gowers recommends some of Muscat's excellent and varied restaurants

The delights of prawns in love

Muscat has a surprisingly rich variety of restaurant fare to offer the visitor who enjoys eating out, ranging from the *Oriental to French* haute cuisine. Much of it is of the highest standard.

But the restaurant prices may well dampen the enthusiasm of many visitors. And those in search of particularly Arabian specialities are in *for* a disappointment.

Seafood, of course, is a forte. The choice is wide, from kingfish and tuna via *sole to crustaceans.* Crayfish is a key item in most menus, and the prawns and shrimps are double the size of — and twice as tasty as—those we are used *to in Europe.*

One of the better seafood restaurants is the Inshirah (Tel: 713062), a relatively new establishment in a picturesque setting on *the* corniche at Mutrah. To complement the sea view, its walls are plastered with paintings of Arab dhows, and the ceilings are covered with sails.

Some of the *dishes* are similarly rich, perhaps excessively so. But the "friture" of assorted fish in batter with a fruity sauce that I had was delicious for a starter, as was my companion's warm salad of *sole* and white asparagus.

As a main course, the improbably named "prawns in love," consisting of prawns sauteed with onions in pernod, was particularly pleasant. The cost of a three-course meal *for* two, with ample wine, came to RO 40 (about $120).

For visitors who prefer more conventional European food, there is the *Italian* restaurant La Terrazza in Qurum (Tel: 602291). Its pasta dishes were especially good, better than those in most Italian restaurants in London, though the price at RO 15 a head all *in*, is about three times what you would pay in Europe. The wine list is good and reasonably priced by local standards.

At the upper end of the scale is the Intercontinental Hotel's Qurm restaurant (Tel: 600500), which serves *the sort of meal you* would find it difficult to obtain in a reasonably good French restaurant outside France itself. The warm foie gras was *excellent*, as were the veal cooked in Moet and Chandon and the scallops for a main course.

There were also nice touches such as the arrival of an unsolicited lime sorbet *after the hors d'oeuvre*, and a superb selection of cheeses. The genial French maitre d', M Hervé Baguenard, has promised to improve the wine *list. The price:* around RO 20 a head.

For those not prepared to splash out quite so much, there is a reasonable selection of coffee shops in the hotels, serving the usual *range of* steaks, omelettes and other British or international dishes, together with a few more adventurous Oriental items.

One of the best is in Qurum's Gulf Hotel (Tel: 600100), where a full meal with plenty of wine came to about RO 10 for one.

Popular

Very reasonably priced Indian meals can be had elsewhere in the capital. One such restaurant, Princes in Al Khuwair, *seemed to be popular* with Indian people themselves and served a decent chicken tikka, preceded by some slightly bland Chinese soups, for about RO 7 a head. The restaurant does not serve *liquor.*

However, the most interesting *restaurant in Muscat* is perhaps The Golden Oryx (tel. 702266) in the business district of Ruwi.

This serves an excellent range of Oriental dishes, ranging from Chinese spring *rolls and the* best chicken and sweetcorn soup I have ever tasted, as well as other Mandarin and Cantonese dishes, to more spicy Malaysian and Indonesian-style food.

Everything is beautifully presented though the wine seemed very over-priced. And the restaurant fortunately lacks the irritating background music which intrudes in some of the other establishments, particularly those in the hotels. The meal came to about RO 11 a head.

SECTION II – COMPANIES AND MARKETS

FINANCIAL TIMES

Monday November 11 1985

INTERNATIONAL BONDS

Balanced warrants structure gains acceptance

NOT a single common-or-garden fixed rate Eurodollar bond issue was launched last week, writes Maggie Urry in London.

The market has been left behind by New York, with the result that yield spreads have widened and swaps are unattractive unless a twist is added to the bond issue to reduce the borrowing cost a fraction.

Thus IBM's deal, which came with a floater, was a swap. This has the "heaven-or-hell" feature of a redemption amount varying from par if the yen/dollar exchange rate is either side of Y169 to the dollar. The fixed-rate paper seemed to have been placed entirely by the lead manager Nomura International, and co-managers *did not* get any bonds.

Likewise the bond-with-bond warrant structure made its appearance twice, for Electricité de France and Sumitomo Trust and Banking.

This concept is finding more acceptance in the market than it did at first, partly because the balance between the bond and the warrants has shifted. In the original deals the bonds looked cheap and the warrants expensive. Now the warrants look the better value of the two parts.

EdF's warrants, issued at $16, were trading as high as $28 on Friday although at this level they looked overpriced, while the Sumitomo warrants, issued at $17½, reached $25 only hours after the launch.

With demand for the warrants good among speculative investors and the swaps shaving a small portion off the borrower's costs, there could easily be more of these issues.

The significant part of the EdF issue was the issue of 40,000 warrants priced at $137½ to buy Swiss franc bonds, the first such issue, and a further breaking down of the barriers to the Swiss franc market. While the lead management was performed in Switzerland by a Swiss bank, UBS, there was a Euro-flavour to the deal.

The other two big Swiss banks, SBC and Credit Suisse, were not in the issue and some comments about the pricing were *scathing*. "I think the warrants are worth about $20," said one banker.

Citicorp's deal was also unusual and, while many dealers thought the idea of a two-year refix was a good one, particularly for the borrower, it proved hard work to sell it to investors. Many salesmen seemed to think the effort of explaining the structure was too much for the number of bonds they had to sell.

EUROMARKET TURNOVER
Turnover ($m)

Primary Market	Straights	Conv	FRN	Other
US$	1,501.2	—	604.5	267.3
Prev	2,225.4	—	1,908.3	438.0
Other	779.3	—	12.1	581.4
Prev	1,798.1	85.6	807.5	278.0
Secondary Market				
US$	17,169.8	1,094.2	12,913.1	2,094.5
Prev	14,480.1	328.1	15,719.5	1,949.0
Other	5,154.5	88.9	1,709.7	2,202.7
Prev	4,604.3	202.9	1,812.0	1,489.9

	Cedel	Euroclear	Total
US$	10,989.2	24,855.5	35,844.7
Prev	11,182.2	26,458.3	37,640.5
Other	5,295.2	5,212.9	10,508.1
Prev	6,004.2	4,647.2	10,651.4

Week to November 7 1985 *Source: AIBD*

The floater market was again active with more perpetual issues launched. Japanese investors are the main buyers of these deals and so far their appetites do *not* seem impaired by the glut on offer. However, some bankers who look further ahead ask, "What will *happen* when they all want to sell?"

The new-issue market is looking somewhat tired, but not as sick as it might given the weight of paper. "Every day we are putting a bit away," says one new-issue manager.

The secondary market also looks in good shape. Despite tight pricing all last week's issues were trading within their commissions.

The Bank of Ireland deal was helped by news of the borrowers' plans to call its two outstanding floaters. This deal also marked the entrance of E. F. Hutton to the book-runnings lists.

The deal for Development Fund of Iceland has been placed with Nordic investors and was arranged by Invest Securities and Sleipner UK.

The non-dollar markets were quieter last week. The Euroyen market is still volatile with prices dropping sharply when interest rates rise. The retail investors who are likely to buy Canadian, Australian and New Zealand dollar paper are taking a breather despite the high coupons available in the latter two sectors.

The continental currencies have recovered, with D-Mark bonds gaining as much as 1½ points during the week as sentiment has returned to the positive and buying from abroad has come in.

The issue for Ford Motor Credit was holding within its fees, while EIB's deal was trading close to par. Equity-linked issues are popular at present with Mövenpick's issue trading at 108½.

BHF Bank bond average

Nov 8		Previous
104.364		104.399
High	1985	Low
105.803		98.840

Seven of the nine floaters due this month have now been launched and the later deals have come under some pressure, with Wells Fargo in particular difficulty.

The Swiss franc market still has too much paper to contend with, but retail investors are gradually picking up bonds and prices were firmer on average by around ¼ point.

The City of Yokohama issue traded for the first time on Friday closing at 99, compared with its 99¾ issue price, a better debut than many recent issues have had.

EURONOTES AND CREDITS

Banks prepare for Christmas rush of Europaper deals

BY PETER MONTAGNON IN LONDON

BANKS are bracing themselves for a heavy stream of new Eurocommercial paper offerings in the weeks leading to Christmas. This instrument currently dominates activity in the Euronote and credit market.

Several deals have already been announced in the past week, including large programmes of $500m apiece for Security Pacific Corporation and Oesterreichische Kontrollbank. Smaller deals include a $100m programme for the New York Times. Friday saw First Chicago bring General Dynamics, the US defence contractor, to the market for a programme of up to $200m.

Eurocommercial paper programmes are far from new, but the extent of their acceptance testifies to the growing depth of the placement market for short-term Euronotes. Fewer and fewer borrowers are finding it necessary to back up their issues with standby credit in the form of a multi-option facility.

As a result, the squeezing out of commercial banks from the lending process which began with note issuance facilities now seems to be going a step further.

Bankers say the Eurocommercial paper market can now offer borrowers terms that equal, or are even more attractive than those on the domestic US market. Though published rates for US commercial paper are still perhaps ¼ per cent below Libor, Eurocommercial paper itself is often sold by top-quality names at rates well below Libid.

Moreover, maturities in the Eurocommercial paper market tend to be longer, averaging between three and six months, while those in the domestic US market are more frequently in the one-month range.

Some bankers claim Europaper has more appeal to investors because it is more liquid and therefore easier to trade than its US counterpart.

"The wheels are really turning," said one banker at the weekend who, like many of his colleagues, promised much new business in the pipeline for Eurocommercial paper.

However this also has some important implications for what business is left in the syndicated loan market where even deals on microscopic margins seem assured of success.

Credit Commercial de France's operation for Italy's Crediop, which amounts to $70m and Ecu 50m and carries a margin of just ⅛ per cent for five years, is heading for oversubscription. That response has some bankers asking whether such a low margin really constitutes a floor.

It is easy to find bankers who will throw up their hands in horror at the thought of even finer margins to come. The need to generate at least some return means they simply cannot sink much further and resistance may already be building up, they say.

Other bankers are not so sure. If Eurocommercial paper can be sold at rates below Libid and borrowers can obtain funds in the floating-rate note market at around Libor itself, then there can scarcely be any justification for a floor of 1 per cent for margins on Eurocredits.

That raises the spectre of a credit at Libor flat, an awful thought for most bankers, and a major challenge for any borrower who would want to perform such an operation in public.

This is not to say that any such deals are actually in the pipeline, although there is some suspicion that transactions may have been arranged privately at this level for Scandinavian borrowers. What is important about these arguments is that they show how far Libor has become misleading as a benchmark for banks and borrowers alike.

It is no secret that banks have been able to use the swap market to generate funds way below Libor. That means there is still potential profit in a credit at this level, although in many institutions there would be intense internal problems parcelling out return between the credit division which brought in the business and the Treasury division which acquired the low-cost funds.

Meanwhile Gaz de France is planning a sizeable Euronote facility as part of a refinancing programme, while Deutsche Bank's $100m credit for Bulgaria with its split ⅛-⅜ margin has been increased to $150m.

Other deals announced last week include the latest in a spate of financings for Arab banks. This is a $50m, three-year facility for Kuwait Asia Bank led by Merrill Lynch and Kuwait International Investment Company.

Austrian banking regulators resign

BY PATRICK BLUM IN VIENNA

A SERIOUS crisis threatening the future of some of Austria's small co-operative banks has caused the resignation of the management board of the Oesterreichische Volksbanken AG (Ovag), the central institution which acts as a clearing bank for co-operative banks outside the agricultural sector, and handles demands for urgent government subsidies.

Ovag has asked the Government for Sch 500m ($27.1m) to save several of its 130 members from possible collapse. However, some bankers in Vienna believe this may be a conservative figure, and as much as Sch 900m may be needed. Ovag's members are mainly engaged in financing small businesses, trade and tourism. Co-operative banks for agriculture are members of another banking group.

According to banking sources in Vienna around one-third of Ovag's members are in serious difficulties, and another third in moderate difficulties. The remaining third are healthy and do not face any problems. The problems have not affected Ovag itself, which increased its profits last year to Sch 32.2m from Sch 31.8m in 1983.

The banks in trouble are reported to suffer from poor management, lax lending practices and under-capitalisation. Their problems could worsen next year with the introduction of a law to tighten bank capital ratios which is being prepared by the Finance Ministry.

Disagreements on how to deal with the crisis came to a head last week with the sudden resignation of Ovag's three-man board. They resigned after failing to win agreement for restructuring some of the banks and bringing in tighter controls over their activities. The banks and The Oesterreichischer Genossenschaftverband, the Austrian co-operatives' association, opposed the management's plans on the ground that it would undermine the independence of member banks.

A new management board has been appointed and discussions with the Finance Ministry about aid will take place in the next few days.

Philippine National Oil plans further cutbacks

BY SAMUEL SENOREN IN MANILA

PHILIPPINE National Oil Company (PNOC) is consolidating its subsidiaries and cutting down on operations as a result of declining revenues and a shrinking domestic market.

Since January, PNOC, which is state-owned, has dissolved five subsidiaries and merged four others. Around 1,600 workers were laid off in the process.

Two of its largest subsidiaries, the Bataan Refining Corporation, which processes petroleum, and the marketing company, Petrophil, are due to be merged this month.

The merger of Bataan Refining and Petrophil, which are among the 10 largest companies in the Philippines, has become necessary because of a taxation scheme which the fiscal authorities plan to introduce in December.

The new tax structure provides a different set of sales taxes for manufacturers and retailers which would subject the two PNOC subsidiaries to taxation.

By the end of 1985, PNOC expects to retain only 14 subsidiaries, a number of which cannot be consolidated because previous loans contracted from multilateral institutions required them to maintain separate corporate entities. Some will eventually be sold to the private sector in line with the Government's privatisation programme.

INTERNATIONAL CAPITAL MARKETS

US MONEY AND CREDIT

Lower interest rates widely expected

EQUITIES were the star turn on Wall Street last week, with the Dow Jones Industrial Average breaking through the 1400 level. But the credit markets also turned in a good showing for the second week in a row.

Short-term interest rates eased for most of the week, but this did not prevent prices at the long end of the market from rallying. The move was particularly noticeable on Friday when speculation about a cut in the discount rate once again began to influence the bond market. The Fed Funds rate slipped below 8 per cent for the first time this month.

By the end of the week the government's key long bond, Treasury 10⅝ per cent. due 2015, was standing at 104¾ and yielding 10.1 per cent. Four weeks ago the same bond was trading around par and yielding 10.6 per cent. Analysts note that long-term government bonds have not yielded less than 10 per cent since 1980.

The buoyancy of the bond market contrasts with the dire warnings coming from the Treasury that the government will default on its obligations by midnight on Thursday unless the Congressional deadlock on the debt ceiling is broken.

But the credit markets were in no mood to be frightened by this sort of scare talk. As Aubrey G. Lanston's David Jones noted in his weekly market letter. "There is a growing bond market conviction that out of all this Congressional chaos will come efforts to cut the deficit in the President's expected fiscal year 1987 budget proposals."

Notwithstanding the huge amounts of government paper which will be unleashed onto the market over the few weeks after the debt ceiling is finally raised, the bond market has convinced itself that interest rates are heading lower. Salomon Brothers' Henry Kaufman, who was talking about a discount rate cut four months ago, says in his latest missive that "an easing in monetary policy may be imminent."

Mr Kaufman, in common with many Fed watchers on Wall Street, was greatly encouraged by Federal Reserve chairman Paul Volcker's highly unusual letter to Mr Walter Fauntroy, chairman of the House subcommittee on domestic monetary policy. In his letter, which was released the day after last week's Federal Open Market Committee Meeting (FOMC), Mr Volcker "agreed that growth of M-1 over the second half of the year as a whole above the target range established in July would be acceptable."

Normally the contents of the FOMC meetings are kept secret for several weeks, but the credit markets interpreted his comments as indicative of the outcome of the meeting and concluded that this statement virtually eliminated the chances of any Fed moves to tighten reserve pressures over the medium term.

Mr Kaufman says that the letter confirms the greatly reduced role of M-1 in current monetary policy deliberations and concludes that "lower interest rates seem required for a resurgence in economic activity." The latest store sales statistics from the major retailers were disappointing, and the recent sharp drop in car sales in October have led many analysts to predict that this week's economic news will underline the sluggishness of the US recovery.

The October retail sales figures, due on Thursday, could show a drop of 3.5 per cent or more and the October industrial production figures, due the next day, are estimated to show a rise of no more than 0.3 per cent.

Not everyone is as confident as Mr Kaufman appears to be about the imminence of a discount rate cut. Aubrey Lanston accepts that the Fed faces the option of either holding monetary policy stable or taking an easing step, including a possible discount rate cut, but says that Fed policy makers are unlikely to consider such an overt easing.

Some analysts argue that if the Fed is going to cut the discount rate it might wait until the "flash" GNP estimate for the fourth quarter is released just before Christmas. Last year just before Christmas the Fed cut the discount rate by half a point on Christmas Eve which sent dealers home in a very festive mood.

Bob Brusca, a money market economist with New York's Irving Trust, is more optimistic than some of his colleagues about the economy and is looking for growth in the current quarter of over 4 per cent. He believes that with this sort of growth and the recent decline in the dollar there is no compelling reason for a discount rate cut.

Although analysts are divided about the prospects for an early cut in official interest rates, there is nothing the credit markets like better than speculation about a discount rate cut and most dealers expect the bond market to hold up well this week.

"It is better to be expecting a discount rate cut than to have one," said one seasoned bond market player last Friday. The main action in the bond market often takes place before the cut in rates takes place and many dealers see this dictating their current short-term trading strategy.

"Even if you do not want to be long you cannot afford to be short" was how another dealer summed up his short-term outlook on the credit markets.

William Hall

U.S. MONEY MARKET RATES (%)

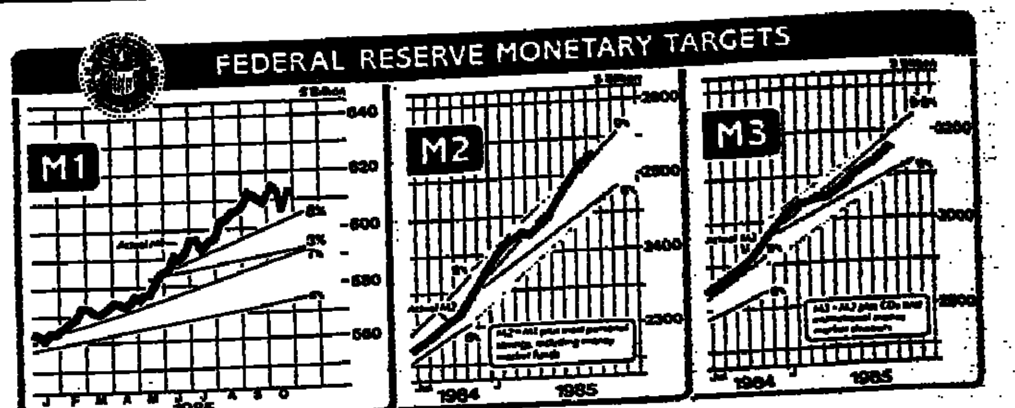
	Last Friday	1 week ago	4 wks ago	—12-month— High	Low
Fed Funds (weekly average)	8.21	7.96	8.01	9.55	7.10
Three-month Treasury bills	7.22	7.20	7.19	8.75	6.67
Six-month Treasury bills	7.27	7.30	7.36	9.20	6.81
Three-month prime CDs	7.83	7.80	7.98	9.55	7.33
30-day Commercial Paper	7.85	7.80	7.80	9.25	6.95
90-day Commercial Paper	7.75	7.70	7.80	9.20	7.00

U.S. BOND PRICES AND YIELDS (%)

	Last Friday	Change on week	Yield	1 week ago	4 wks ago
Seven-year Treasury	100¾	+ ½	9.67	9.78	(new)
20-year Treasury	103¾	+ ¾	10.30	10.38	10.78
30-year Treasury	104½	+ ¾	10.14	10.22	10.60
New 10-year "A" Financial	N/A	+ ⅞	10.50	10.65	11.13
New "AA" Long utility	N/A	+ 1⅛	11.13	11.25	11.75
New "AA" Long industrial	N/A	+ 2⅛	11.00	11.25	11.63

Source: Salomon Bros (estimates).

Money Supply: In the week ended October 28 M1 fell by $2.2bn to $611.4bn.



UK GILTS

Cautious traders put ceiling on prices

THE GILT market waited in vain on Friday for a US discount rate cut, seen as about the only development that could lift the gloom of last week's dismal trading conditions. The long end fell by up to 2 points on the week.

The tone was set on Monday by the Government Broker's decision to cut the prices of two taplets when, in the view of many traders, he had no need to do so. It was reaffirmed on Thursday when sterling dropped sharply.

Given that short-term interest rate levels now depend heavily on the pound's performance, it is of paramount importance to the gilt market. "When the dollar goes up, sterling goes down. When the dollar goes down, sterling does not do anything," one trader gloomily observed.

Some jobbers were aggressive in marking down prices. The futures pits in particular have become rather a battlefield with the emergence of the Giles and Cresswell/Merrill Lynch combine as a prominent player. It has been seen to be taking large positions, apparently in an effort to carve out a big market share in the run-up to next year's admission of many new market-makers, able to act as both agent and principal, into the gilt market.

Whatever fundamental reasons could be employed to support buying at the lower levels, traders' puzzlement over the Government Broker's move made them cautious and effectively set a temporary ceiling on any price advances.

A gentle rally was under way when he supplied some of the Treasury 9¼ per cent 1999 and Convertible 9¼ per cent 2005 at ⅜ to ½ point below previous levels. With a similar move in index-linked seen later in the week, some estimates put the amount of paper sold overall at as much as £400m to £500m.

The Chancellor of the Exchequer has made it clear that the public sector borrowing requirement (PSBR) will be exactly funded over the course of a year, not in individual months. But the market, calculating from Tuesday's money supply data that the Government was already about £0.5bn ahead of the game by mid-October, worried about why it should have wanted to get even further ahead at lower prices than it apparently could have done.

Perhaps, some traders reasoned, it wished to dampen premature enthusiasm based on prospects for lower short-term interest rates. Perhaps, said more relaxed analysts, the Government simply wanted to keep up the funding momentum, particularly in view of comʼng privatisation cash calls.

To Mr Stephen Lewis, of Phillips and Drew, the Broker's rationale was obvious. "It shows how keen they are to sell stock," he said, arguing that the expected overshoot of the 1985-86 PSBR means that the Government has a lot of funding to complete in this fiscal year—perhaps £600m to £700m gross per month.

Barring surprises, the expected key points of Mr Lawson's Autumn Statement on Government spending tomorrow have already been noted by the market, though predictable City charges of fiscal irresponsibility could undermine confider/ which he would hope to generate with optimistic forecasts for inflation and growth.

He is expected to forecast asset sales in 1986-87 raising up to £5bn. Some in the gilt market argue that at least this is funding coming from a source other than gilts, and therefore cannot hurt. Others take the more purist line that, since it reflects target misses by the Government, it is additional rather than alternative funding, and therefore bad.

In any case, US developments seem more likely to occupy centre stage. Despite the chorus of forecasts, it was difficult to tell whether a discount rate cut is really on the cards. A senior Federal Reserve official's affirmation of inflationary concerns arising out of a sharp dollar decline suggested that it would be wary of giving such an overt signal of an easing move.

Clues to its likely stance could come this week if a new set of statistics confirm a significant weakening in economic growth.

Alexander Nicoll

FT/AIBD INTERNATIONAL BOND SERVICE

US DOLLAR STRAIGHTS	Issued	price	Chg. on week	Yield
AHFC O/S Fin 11¾ 94	100	105⅛	0	10.75
AIDC 11 89	75	103⅛	+0¼	9.70
AIDC 11⅞ 90	100	101⅛	−0⅛	11.41
Amer Savings 12 89	125	103⅛	0	10.80
Amer Savings 12¾ 89	100	102½	−1⅛	11.29
Asian Dev Bk 11⅛ 93	100	106⅛	+0⅜	10.58
Australia 11⅛ 90	100	106⅛	+0⅜	9.44
[illegible]				
Pacific Gas & El 12 89	[illegible]	104⅝	−0⅛	10.71
Penney J C 11⅞ 90	100	107⅞	−0⅛	10.89
Penney J C 12¾ 91	100	103¼	0	12.71
Phillips Petrol 13 89	200	102⅝	+0⅛	10.27
Postipankki 11⅛ 90	75	106⅛	+0⅛	9.34
Post-Och Kred 13¼ 87	50	99	0	12.91
Privatbanken 12¾ 95	100	106	+0⅜	9.20
Prudential Ins 12⅜ 87	150	25⅞	+0⅞	10.80
Pru Rlty Secs 0 99	385	105¾	+0⅛	10.22
Pru Rlty Secs 11⅞ 92	385	107⅞	+0⅛	10.85
Pru Rlty Secs 12⅛ 95	546	106⅛	+1	10.85
Quebec Prov 12¾ 94	150	104⅛	+0⅛	9.90
Queensland Gvt 11⅛ 89	100	102	0	12.08
RBC 12¾ 90	100			

	Issued	Price	Chg. on week	Yield
Rural Bk Aust 12 91	50	104½	+0¼	10.80
Sanwa Bank 11⅞ 92	150	105⅛	+0⅛	10.46
Saskatchewan 10¾ 92	100	102¾	+0⅛	10.11
Saskatchewan 10¾ 90	125	103⅝	+0⅛	9.66
Saskatchewan 11⅞ 89	100	106½	+0⅛	9.84
Saskatchen 15 92	150	120¾	+0⅜	10.53
Saskatchewan 16 89	125	116⅝	+0⅜	9.95
Scot Intl Fin 14¾ 96	50	112¾	0	12.03
Sears O/S Fin 0 98	500	26⅞	+0⅜	10.92
Sears Roebuck 10½ 91	150	103	+0⅞	9.77
[illegible]				

CONVERTIBLE BONDS	Issued	Price	Chg. on week	Prem.
Ajinomoto 3 99	120	127⅞	+0¼	
Best Denki 5⅞ 97	15	189	+7½	−8.25
Canon 7 97	80	231½	+6½	−0.87
Daiwa Secs 5½ 98	60	213	−13	−1.47
Dev Bank Sing 6½ 98	70	73	−1	−1.72
Elders 11⅛ 94	160	107¾	−2	51.48
Elektrowatt 5 98	52	120½	−0¼	−3.05
Fujitsu 3 99	180	91½	−0⅞	2.30

	Issued	Price	Chg. on week	Prem.
Intec Inc 3 99	50	75	+5	−4.64
Kumagi Gumi 3½ 00	80	157⅛	−16	−3.47
LASMO 9⅞ 99	44	96⅛	−0⅛	22.74
Moet-Hennessy 7 99	50	120⅛	+4⅝	−2.80
Murata Mfg 3½ 00	100	111⅛	+2	−3.06
Nippon Oil 3⅛ 99	50	80	−6⅛	−2.58
Ono Pharm 3⅛ 98	60	94⅝	+2⅛	−0.92
Soc Gen Surv 4½ 94	51	137	−8½	107.85
Sumitomo Corp 2⅞ 99	70	134½	+1⅛	0.95
Texaco Capital 11⅞ 94	1bn	106⅝	+0⅛	39.54
Texaco Capital 11¾ 94	500	107⅛	+0⅛	
[illegible]				

WARRANTS	Expiry date	Price	Chg. on week	Yield
[illegible]				
Aegon Ins 11⅞ 91	14/2/88	[illegible]	[illegible]	[illegible]
Coca-Cola 11⅛ 91	28/11/88	54⅝	+6⅛	11.11
Commerzbk 13¾ 91	17/7/88	104⅛	+5⅞	11.01
Du Pont 13⅛ 89	25/8/86	89⅛	+3⅞	10.26
Ekaportfinas 13⅛ 89	15/9/87	92⅞	+4⅛	10.19
Gen Elec 12¾ 91	7/8/87	78⅛	+6⅛	10.82
Ind Bk Jpn 12⅞ 91	5/10/88	90⅛	+6¼	10.72
Inv In Ind 10½ 91	1/12/88	80	0	10.09
McDnlds F 11⅛ 94	5/1/89	47½	+4⅛	10.23
Oester Lnbk 13½ 89	9/8/87	87⅞	+12⅛	10.50
Texaco Cap 12⅞ 92	1/9/87	67⅛	+4	11.37
Trnto Dom 12¾ 91	5/4/88	70⅞	+7⅞	10.83

STRAIGHT BONDS: Yield to redemption of the mid-price. Amount issued is expressed in millions of currency units except for yen bonds, where it is in billions.
FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate (‡ three-month; § above mean rate) for US dollars. C.cpn=current coupon.
CONVERTIBLE BONDS: US dollars unless indicated. Prem=percentage premium of the current effective price of buying shares via the bond over the most recent share price.
WARRANTS: Equity warrant prem=exercise premium over current share price. Bond warrant ex yld=exercise yield at current warrant price.
† Perpetual.

Closing prices on November 8.

INTERNATIONAL COMPANIES and FINANCE

Viacom lines up $300m studio deal with Turner

BY TERRY BYLAND IN NEW YORK

VIACOM INTERNATIONAL, the radio, TV and cable entertainment group has confirmed it was negotiating with Turner Broadcasting System to buy 50 per cent of the MGM studio facilities acquired by Turner.

"The negotiations are proceeding favourably, but these things always take a little time," a Viacom executive said. He rejected rumours that an agreement had already been concluded.

Viacom is likely to pay around $300m for the MGM assets, which Turner acquired as part of its $1.5bn purchase of MGM/UA Entertainment. Turner has said it wants to sell some MGM assets to reduce the debt resulting from the acquisition.

After being spun off from CBS five years ago, Viacom has developed a strong presence in broadcasting, and the MGM deal would open the way for entry into the film industry.

Viacom itself has been the subject of takeover speculation on Wall Street, and has been protecting itself by expanding its operations with debt-financed deals. A week ago, it arranged a $1.5bn revolving credit line with a group of US banks.

It is expected to finance any deal on the MGM assets by a substantial debt financing, which would strengthen its takeover defences.

The MGM film library, which made MGM/UA a prime attraction for the Turner cable television interests, would not be part of any deal.

Chevron to raise $500m with sale of operations in the US

BY WILLIAM HALL IN NEW YORK

CHEVRON, the big US oil concern which is divesting itself of unwanted parts of its business following last year's $13.3bn takeover of Gulf Corporation, plans to raise $500m through the sale of most of its downstream distribution and marketing operations in the north-eastern US.

The San Francisco-based oil company said it had entered final negotiations to sell most of its light-product distribution and marketing assets in 10 north-eastern states to several different buyers.

The company would not reveal the prices paid for its properties, which include a 4,800 chain of service stations, but said it expected the proceeds of the sale, including the release of working capital, to make up the $500m sum.

It had hoped to sell its north-eastern operations, which include a 174,000-barrel-a-day refinery in Philadelphia, in either one or two packages. In the event it has had to agree to sell the operations piecemeal.

Significantly, it has not found a buyer for the Philadelphia refinery, which is regarded as something of a handicap within the oil industry.

The biggest single part of Chevron's business in the north east – 320 owned and leased service stations and 20 petroleum-products terminals – will be bought by the Massachusetts-based Cumberland Farms, the third biggest US convenience-store group, founded by Greek immigrants in 1957.

The deal, which includes supplying 3,300 independent service stations, will push the turnover of the privately held Cumberland Farms from $1bn a year to $3bn.

Chevron has also agreed to sell its Lewis, Hoffberger and Skelton heating-fuel companies to Champion Oil, its bulk petroleum company of Chicago, to R. J. Evensen and its interest in the Laurel Pipeline to the Penn Central Energy Group.

The major components of Chevron's business in the north-east not included in the sale are its asphalt manufacturing and marketing operations, a New Jersey lubricants plant and the former Gulf refinery at Philadelphia.

Chevron says it expects to have completed a review of its current refining operations east of the Rocky Mountains (mainly Philadelphia and Cincinnati) during 1986.

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book Runner	Offer yield %
U.S. DOLLARS							
BTR §‡	150	1995	10	5	100	SBCI	9.000
Banco di Sicilia (a)†‡	100	1992	7	1/16	100	Mitsubishi Fin.Int.	–
Chicorp (d)‡	100	1997	12	9⅝	100⅝	S.G. Warburg	9.535
Bank of Ireland (e)†‡	150	–	–	¼	100	E.F. Hutton	–
NatWest (f)†‡	500	–	–	¼	100	County Bank	–
Lincoln Savings Ass. (g)†‡	250	1995	10	⅛	100	Banque Paribas	–
Hongkong & Shanghai Bk (h)†‡	400	–	–	¼	100	Lloyds Merchant Bk	–
IBM Credit Corp. ‡	50	1995	10	10¾	101	Nomura Int.	10.503
IBM Credit Corp. (j)†‡	50	1995	10	12½bp	100	Nomura Int.	–
Japan Dev. Bank (k)‡	200	1992	7	9.7	99.846	First Boston Corp.	9.731
State Bk of India (m)†‡	100	1997	12	10bp	100	Lloyds Merchant Bk	–
Sumitomo Elec. Ind. ‡	50	1992	7	10¼	101¾	Daiwa Europe	9.892
Denmark ‡	100	1990	5	0	64½	Shearson Lehman Bros.	9.251
EDF (n)‡	100	1995	10	9½	99.65	Goldman Sachs	9.556
EDF ϕ‡	100	1995	10	10⅜	100½	CCF	10.293
Sumitomo Tr.&Bank. ϕ‡	100	1995	10	10½	101	Morgan Stanley	10.335
Dev.Fund of Iceland (o)†‡	35	1997	12	⅛	100	Svenska Handelsbanken	–
CANADIAN DOLLARS							
World Bank ‡	100	2009	24	10¾	100	Wood Gundy	10.750
Farm Cr. of Canada ‡	100	1992	7	10	99½	Wood Gundy	10.103
AUSTRALIAN DOLLARS							
NZI Secs. Australia ‡	40	1988	3	15	100¾	Banque Paribas	14.836
NEW ZEALAND DOLLARS							
Kredietbank Lux. ‡	25	1988	3	17¾	100¼	Kredietbank Int.	17.636
Bqe Paribas Lux. ‡	50	1988	3	18	100	Bqe Paribas	18.000
D-MARKS							
Zenchiku Co. ¶‡	30	1990	5	2⅞	100	Bayerische Vereinsbank	2.875
Suminoe Textile ¶‡	30	1990	5	2⅞	100	WestLB	2.875
Wells Fargo (b)†‡	300	1995	10	¼	100	Commerzbank	–
Heron Int. ‡	100	1995	10	7¼	99½	Deutsche Bank	7.322
Ford Motor Cr. ‡	200	1995	10	7	101	Deutsche Bank	6.859
D-MARKS							
Gillette Co. **‡	80	1992	7	5⅞	100	Deutsche Bank	5.875
Moevenpick Fin. ¶‡	75	1992	7	3	100	CSFB-Effectenbank	3.000
EIB ‡	300	1995	10	6⅞	100	Deutsche Bank	6.875
Royal Bk Canada (l)†‡	300	1995	10	3/16	100	Deutsche Bank	–
SWISS FRANCS							
Mitsui & Co. **§‡	100	1991	–	1⅞	100	SBC	1.875
Toyo Menka Kaisha **¶‡	100	1990	–	2⅞	100	Swiss Volksbank	2.875
Asian Dev. Bank ‡	100	2010	–	6	100	UBS	6.000
Toyama Chemical **§	50	1991	–	(2)	100	Credit Suisse	*
Hoogovens ‡	150	1997	–	5¾	100	UBS	5.750
Pilot Pen Co. **‡	20	1990	–	5½	99¾	Wirtschafts- und Privatbk	5.559
Sogo Co. **§	40	1991	–	(2⅛)	100	UBS	*
Sogo Co. **¶	110	1990	–	(3)	100	UBS	*
Fuji Co. **‡	25	1990	–	5½	100	B.M. Grenfell en Suisse	5.500
Nippon Seiko **‡	150	1990	–	5½	100	UBS	5.500
Nippon Kayaku Co. **¶	50	1990	–	(3)	100	Credit Suisse	*
Dai-Ichi Katei Denki **‡	40	1990	–	5⅝	100	Bqe Paribas (Suisse)	5.625
ECUs							
BTR §‡	170	1995	10	4¼	100	SBCI	4.250
Petrocorp ‡	75	1993	8	9	99½	CSFB	9.091
Moet-Hennessy ‡	50	1991	5¼	9	100⅜	Chase Manhattan	8.890
NORWEGIAN KRONE							
Hafslund ‡	200	1992	7	9⅞	100	Christiania Bank	9.875
GUILDERS							
EIB ‡	200	1995	8	7¼	100	Amro	7.250
Gasunie **‡	75	1990	5	6¾	100¼	Amro	6.690
Ireland ‡	100	1996	8	7¾	100¼	Amro	7.713
FRENCH FRANCS							
City of Stockholm (c)‡	375	1990	5	10¾	100	CCF	10.750
LUXEMBOURG FRANCS							
Euratom ‡	600	1989	4	8½	100½	BIL	8.340
Copenhagen Handelsbk **‡	300	1990	5	8⅛	100	BIL	8.125

* Not yet priced. ‡ Final terms. ** Private placement. § Convertible. † Floating rate note. ¶ With equity warrants. ϕ With bond warrants. ‖ Dual-currency (a) 1/16 over 6m Libor. (b) ¼ over 3m Libor, max coupon 8⅝%. (c) Extendible to 2000. (d) Coupon refixed every 2 yrs. (e) ¼ over 3m Libor. (f) ¼ over 3m Libid. (g) ⅛ over 3m Libor. (h) ¼ over 3m Limean. (j) 12½bp over 6m Libor. (k) Launched on US domestic market. (l) 3/16 over 3m Libor, max. coupon 8⅝%. (m) 10bp over 6m Libor. (n) Registered with US S.E.C. (o) ⅛ over 6m Libor.
Note: Yields are calculated on AIBD basis.

UK COMPANY NEWS

Leisure Investments makes £1.9m cash call

BY RICHARD TOMKINS

Leisure Investments, operator of snooker clubs and amusement arcades which joined the Unlisted Securities Market in June, is proposing to raise £1.9m net through a two-for-five rights issue of 6.6m shares at 30p a share.

The company says that successful expansion over the past year has absorbed a considerable amount of its financial resources and it wants to strengthen its balance sheet in the light of opportunities for expansion.

The company intends to use £1.3m of the money raised to open more snooker clubs and for other capital projects, which the board is considering, and the balance as working capital. At present it operates eight snooker clubs in south-east England and six amusement arcades.

The chairman and other major shareholders accounting for 71.8 per cent of the equity have waived their rights to the issue in order to widen the market for the shares.

Brokers to the issue are Illingworth, Henriques and Brewin Dolphin.

Leisure Investments achieved pre-tax profits of £405,000 in the year ended June 30 last, against £129,000 the year before. The directors said yesterday that the current year had started well with turnover ahead of the previous year, and that they expected to be able to report a satisfactory profits increase at the year end.

BOARD MEETINGS

TODAY

Interims: Amersham International, Avana, Business Mortgages Trust, Ecclesiastical Insurance Office, Outwich Investment Trust, Reed Publishing.

Final: Lucas Industries.

FUTURE DATES

Interims—	
Acsis Jewellery	Nov 15
Brown Shipley	Nov 13
Cable and Wireless	Nov 19
Delmar	Nov 27
Hambros	Nov 26
Parkland Textile	Nov 26
Rothmans International	Nov 26
Sketchley	Nov 19
Volex	Nov 18
Wight Collins Rutherford Scott	Dec 18
Finals—	
Avon Rubber	Dec 4
Barton Transport	Nov 15
General Stockholders Inv. Tst.	Nov 20
Moss Advertising	Nov 14
Wade Potteries	Nov 13

Denial from Castle's former director

BY TERRY POVEY

MR JOHN ARMSTRONG, the former managing director of Castle (GB), the fitted kitchen distributor, yesterday denied that he had resigned from his position on the eve of the company announcing a poor set of figures.

On Friday, Castle announced a pre-tax loss of £2.24m for the year to July 26 and that Mr Armstrong had resigned as of November 7. In the previous year a profit of £1.46m was reported.

"I resigned from the managing directorship in May but agreed to serve out the rest of my one year contract in a technical post at the company. Last week I decided that I could no longer continue to do even that," Mr Armstrong said yesterday.

Polypipe makes good start

The year had started very well for Polypipe, manufacturer of plastic fittings, Mr Kevin McDonald, its chairman and managing director told the annual meeting. He was more than satisfied with the results of the first three months and the sellin emphasis on the south-east was producing increasingly good results.

Production had begun in the Northern Ireland factory and, as it increased over the three-year plan, would contribute to group profits to a greater extent.

SEE PAGE 818

FINANCIAL TIMES STOCK INDICES

	Nov. 8	Nov. 7	Nov. 6	Nov. 5	Nov. 4	Nov. 1	1985 High	1985 Low	Since Compilation High	Since Compilation Low
Government Secs.	83.29	83.52	83.70	83.87	83.93	83.83	84.57	78.02	127.4	49.18
Fixed Interest	89.10	89.34	89.46	89.60	89.64	89.67	90.36	82.17	150.4	50.53
Ordinary	1082.5	1073.5	1081.3	1073.5	1071.1	1070.6	1082.5	911.0	1082.5	49.4
Gold Mines	245.2	238.3	227.0	217.6	222.9	237.9	536.9	237.9	734.7	43.5
FT-Act All-Share	676.10	675.20	676.20	674.63	672.51	672.15	676.20	581.88	676.20	61.92
FT-SE100	1390.1	1384.8	1395.0	138.37	1380.9	1379.0	1395.0	1206.1	1395.0	986.9

BET's £7m offer is cheap, says Sparrow

By Terry Povey

G. W. Sparrow, the crane hire company, is today publishing its reply to the £7m bid from services major BET. Calling for rejection, Sparrow parries the bidders claim that it is weak by calling the offer "cheap."

Mr Alf Sparrow, chairman, claims that BET have little understanding of his company's business as the bidder is a large conglomerate of which crane hire forms only a small part. BET has a crane operation of its own—Grayston White—with which it wishes to merge Sparrow, should the bid succeed.

BET is offering one of its shares for every five of Sparrow or 60p cash for each share. On Friday, BET closed at 350p, up 2p, while Sparrow was 8p over the share offer at 78p unchanged. Just before the bid was made on October 8, Sparrow's share price was 48p and BET's 315p.

The offer for Sparrow was made only four days after it had announced a pre-tax loss for the six months to June of £757,000 (profit of £262,000) due to the impact of reorganisation costs. In the half, Sparrow took £258,000 in additional staff costs due to the reorganisation which is said to be now largely completed.

After taking the first half loss into account, Mr Sparrow argues that the net asset value of the company, which is 36.6 per cent family owned, is at least 110p. BET has questioned the valuation put on Sparrow's plant and machinery given the present state of the crane market.

The defence document argues that Sparrow has now ilimited its exposure to heavy cranes, developed more intensive use of sites following the Cheadle Hire acquisition, and sold the surplus land for £300,000, almost completed a major crane repair programme and made significant reductions in head office costs.

The company adds that BET's earnings performance does not match that of other industrial holding majors and that the new management team — Mr Sparrow and his brother George have stepped down from day to day involvement — should be given a chance to run the business.

Mr Sparro wmakes no forecasts in his letter to shareholders, although one could come later. The company is advised by bankers N. M. Rothschild & Sons.

Millward Brown seeks listing on USM

Millward Brown, the market research company run by Mr Maurice Millward and Mr Gordon Brown, is seeking a listing on the USM via a placing which will value the company at some £10m according to brokers Simon & Coates.

Pre-tax profits for 1985-86 are forecast as rising to around £860,000 compared with the £508,000 in the year to March. Turnover this year should pass the £6m mark against £5.8m in 1984-85.

The shares are being placed on a p/e of 17 and the full prospectus should be published on November 18 with the shares to be traded a week later.

Stewart Enterprise at £41,000

Stewart Enterprise Investment Company reports net income of $41,000, against £7,000, for the six months to end-September 1985. Earnings per 10p share were 0.26p compared with 0.05p.

The directors say that the company was unable to mitigate the weakness of the US dollar by selling forward $2m in May. The main portfolio change has been an increase in the unquoted section, the emphasis of this being a long-term policy.

Net asset value per share at the end of the period was 48.2p, virtually unchanged from the 48.1p shown a year earlier. Share-

FT Share Information

The following securities have been added to the Share Information Service:

Bardsey Preferred Ord. (Section: Industrial).

Counter Products Marketing (Paper, Printing and Advertising).

Electronic Data Processing (Electricals).

National Home Loans 8% Cnv. Uns. Ln. 2005 (Trusts, Finance Land).

Nationwide Bldg. Soc. 11⅞ per cent 15/9/86 (Loans).

Spectra Automotive and Eng. Products (Chemicals).

Hugin achieves larger than expected savings at Sweda

BY CHARLES BATCHELOR

Hugin, the British cash register maker, has achieved larger than expected savings in operating costs at Sweda International, the US cash register group it bought last June from Litton Industries for $67m.

The restructuring of Sweda has led to annualised operating savings of $18m (£12.9m) for a one-time cost of £3.6m, Hugin said. This compares with a forecast at the time of the takeover of savings of at least $15m.

Hugin, an unlisted company with about 40 UK institutional shareholders, will have reduced the combined Hugin Sweda workforce by about 590 people to just over 3,000 by the end of December. Most of the cuts are at Sweda's US headquarters and at European subsidiaries.

Hugin expects to achieve £100m of sales in the year ending December compared with £35m in 1984. Pre-tax profits will be about the same as or slightly above the £2.95m of last year.

The combination of Hugin and Sweda has created the largest supplier of scanning systems to the European retail market, according to a recent survey by the European Article Numbering Association, a grouping of large retailers. Scanners automatically record check-out prices by reading the bar code stamped on the article and allow automatic stock control.

Hugin Sweda has point-of-sale systems with scanning capacity installed in 546 stores in Europe, 18.8 per cent of the total, the survey said. It was followed by NCR with 507 installations and IBM with 490.

Hugin increased operating profits by 7 per cent to £1.08m in the first half of 1984 on turnover which fell from £16m to £14.7m. Higher interest charges cut the pre-tax profit from £740,000 to £375,000.

A rescheduling of shipments to Italy reduced turnover, while the higher interest charge arose from cost of carrying larger stocks during this period.

Hugin is closing down Sweda's factory at Lionville, Pennsylvania. This will allow it to source all manufacturing from outside suppliers to higher production specifications and at a much lower cost.

Hugin has put Sweda's headquarters in Pine Brook, New Jersey up for sale hoping to get about $12m for the property. It would lease back part of the building.

Hugin has cut back on Sweda's research effort and switched the emphasis to development work. It is also benefiting from pooling the production ranges and the market intelligence of the two companies, Mr. David Pope, chief executive said.

Hugin Sweda recently won a $15m order for 354 point-of-sale installations from the U.S. armed forces and hopes for further orders worth $50m.

Hugin was established in its present form two years ago when its management, led by Mr Pope, staged a £13m buy-out from Electrolux, the Swedish appliance group, with the backing of UK institutions.

COMPANY NEWS IN BRIEF

LONDON ENTERTAINMENTS, theatre production and management, suffered a downturn from £422,117 to £186,276 in pre-tax profits in the year to August 31 1985. Turnover was £3,111 against £4,893. Tax was down from £126,778 to £56,450. The dividend of this close company is raised from 2.12p to 2.33p, and stated earnings per share were 3.5p (8.04p, which included an extraordinary credit of £70,000).

FIVE OAKS INVESTMENTS' pre-tax profits rose from £152,000 to £460,000 in the year to June 30 1985 on turnover up from £2.91m to £5.9m. After tax unchanged at £3,000, attributable profits were £460,000 against £149,000. Stated earnings per 5p share improved from 2.65p to 7.19p. No dividend has been paid since 1966.

LONDON AND PROVINCIAL Shop Centres (Holdings) increased its pre-tax profits from £2.03m to £2.16m in the year to June 24 1985. Gross rental of this property development and investment company improved from £3.97m to £4.17m. After tax down from £351,000 to £316,000, profit available was £1.84m (£1.68m). The total dividend is increased from 4p to 4.4p, through a final of 2.6p (2.3p). Net asset value per 10p share was 342p against 379p, and stated earnings were [illegible]p (10.35p).

NORTH ATLANTIC Securities Corporation, an investment trust, had a net asset value of 316.1p per 25p share at the end of the year to September 30 1985, compared with 340.8p a year previous. Earnings per share were 3.61p (3.64p) and the final dividend is being raised to 2.4p (2.2p), making a total 3.4p (3.2p). Pre-tax revenue amounted to £1.16m (£1.24m). Tax was £495,000 (£568,000).

FUTURA HOLDINGS, footwear manufacturer and distributor, cut its first half losses from £175,924 to £40,664 in the 28 weeks to July 13 1985 on turnover down from £1.73m to £1.68m. There was a tax credit of £16,266 against £87,962. The loss per 25p share was 3.49p (11.94p). The interim dividend is increased from 1.875p to 3.5p.

PARK PLACE INVESTMENTS' outgoing chairman, Mr R. Frankel, told the annual meeting that results for the first quarter of the current year fully supported the board's optimistic outlook for the year to June 30 1985. On the basis of management accounts, the company was confident that the current year would produce a satisfactory result. The company's name has been changed to Park Place, and the new chairman is Mr D. Heynes.

ASSET SPECIAL SITUATIONS TRUST, a specialised investment trust, had a higher net asset value of 50.3p per 10p share at the end of the six months to September 30, 1985, compared with 40.6p a year previous. Pre-tax revenue was £82,578 (£86,003). Tax was £22,802 (£26,256), giving unchanged earnings per share of 0.6p. The interim dividend is up from 0.46p to 0.5p.

AMOS HINTON & SONS proposes the immediate repayment of the outstanding £205,000 of 6½ per cent irredeemable unsecured loan stock at 90p in cash for every £1 nominal or stock.

SHARE STAKES

Changes in company share stakes announced over the past week include:

Etam—Mrs P. N. Burton, wife of a director, disposed of 50,000 ordinary shares.

Newman Industries—Director, Mr N. H. McLean purchased 50,000 share increasing his holding to 583,333 shares.

Asprey—Trustees, Mr J. R. Asprey, Mr N. I. Attallah and Mr G. M. Magan sold 225,000 ordinary shares.

Pentland Industries—Mr R. P. Shepherd, director, sold 60,000 ordinary.

Murray Investment Trust.—Director, Mr A. M. M. Stephen, has disposed of 22,646 ordinary shares.

Fleming Fledgeling Investment Trust.— Mr V. P. Fleming, a director, acquired 150,000 ordinary shares, increasing his total holding to 33,860 shares (0.27 per cent).

Robert Horne.— Director, Mr M. T. Bairstow sold 62,000 "A" ordinary shares.

Marks & Spencer.— Director Mr S. J. Sacher, on November 4 disposed of 50,000 ordinary shares in which he had a beneficial interest.

Wates City of London Properties.— On October 30 chief executive Mr A. C. R. Wates acquired a beneficial interest in 1,087,651 ordinary to bring his total beneficial holding to 6,621,363 ordinary (6.6 per cent).

Horizon Travel.— director Mr K. M. Franklin, has sold 7,674 shares and now holds 81,626 shares.

RECENT ISSUES

EQUITIES

Issue price	Amount paid up	Latest Renunc. date	1985 High	1985 Low	Stock	Closing price	+ or −	Net Div.	Times covered	Gross Yield	P.E. Ratio
95	F.P.	7/11	108	97	AMS Inds. 5p	102	+1	b51.25	5.0	1.6	17.4
—	F.P.	—	5	3	Bardsey Warrants	3					
185	F.P.	1/11	235	202	Britoil 10p	212	−8	t18.0	3.0	8.8	6.1
§90	F.P.	8/11	132	95	Cotorgen Inc. $0.01	107		—	—	—	—
100	60	6/12	64	58	Cornh. Assets Tst. 10p	54					
§88	F.P.	8/11	96	91	Cowells	93		bg2.6	2.6	4.0	13.4
160	F.P.	6/12	170	160	Davidson Pearce 20p	162		bg2.5	3.7	2.2	17.8
86	F.P.	20/12	109	102	Ealing Electro. 5p	105		bg2.2	4.3	3.0	11.2
120	F.P.	18/11	110	104	Fairbdar 10p	104		bg6.0	1.6	5.5	9.6
§72	F.P.	29/11	73	68	Gibbon Lyons 10p	68		bd35.2	—	7.4	12.4
§87	F.P.	—	68	67	HampdenHmcre 10p	68		bg1.5	2.8	3.3	15.5
§94	F.P.	30/10	98	78	InfraRed $0.10	85		g2.15c	3.2	1.8	—
§52	F.P.	8/11	63	60	Jiljt Rubber 50p	58		b1.34	4.3	4.4	22.6
§67	F.P.	22/11	72	69	Medsec 10p	69		bg2.6	—	5.1	11.6
§180	F.P.	25/10	187	160	Questel 10p	180		bg5.0	2.3	3.6	11.5
§95	F.P.	8/11	100	90	Radius 5p	95		bg2.66	3.1	4.0	15.2
§330	F.P.	1/11	473	343	St. Ive's 10p	468		bq8.0	2.2	2.4	19.1
§175	F.P.	22/11	192	175	Shandwick 2p	175	−3	u3.86	—	3.0	21.7
100	F.P.	22/11	100	97	Strata Invs.	100		—	—	—	—
¶180	F.P.	—	212	204	Underwoods 10p	206		bg1.65	3.0	1.0	41.9
—	F.P.	—	28	15	Vantage Secs. Wrrnts	24					

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renunc. date	1985 High	1985 Low	Stock	Closing price	+ or −
87.305	£30	—	32⅞	29⅝	Australia 9½% Ln. 2012	31½	−¼
191.443	£30	17/1	29⅝	27½	Bank of Greece 10¾% Ln. 2010	28½	−⅛
¶¶	F.P.	—	112	100	Bremner 10% Cnv. Uns. Ln. 1995	112	
¶	F.P.	26/11	132	110	Brit. Benzol 13% Conv. Uns. Ln. 1995	130	
§96.456	£25	27/11	28⅛	25¾	Brixton Est. 10¾% 1st. Mort. Deb. 2025	27½	−⅛
§100	F.P.	26/11	100⅞	100½	EastbourneWater 11% RedDeb. 2005/9	100½	
§98.324	£40	3/12	44¼	40¾	Est. & Gen. Inv. 11¼% 1stMort.Deb.2018	43¼	−¼
§97.617	£25	31/1	27¾	26¾	Evans of Leeds 11% 1st.Mort.Deb. 2025	26¾	−¼
§99.97	F.P.	29/11	101½	100¼	Hampton Tst. 11½% 1st Mtg Deb 2025	100¼	−¼
95.603	£25	10/1	25¼	24¾	Haslemere 10⅛% 1st Mort. 2016	24⅞	−⅛
88.466	£30	24/1	32½	29¾	Intl. Bk. for Rec. & Dev. 9⅞% Ln. 2010	31⅞	−⅛
§92.895	£25	—	24¾	24½	Land Sec. 10% Deb. 2025	24½	−⅛
100	£50	13/11	50	44	Nat. Home Loans 8% Cnv. Uns.Ln. 2005	99⅝	
—	F.P.	—	99	99	Nationwide 11⅞% Bds. 20/10/86	99	⅛
§98.43	£25	21/2	25⅜	24⅜	Peachey Prop. 10% 1st Mort. Deb. 2015	24½	−⅛
—	F.P.	22/11	115p	110p	Pittard 9½% Cum. Pref.	114p	
§39.967	F.P.	19/4	40¾	40¼	Safeway Deep Dis. Stepped Ln. 2011	40	

RIGHTS OFFERS

Issue price	Amount paid up	Latest Renunc. date	1985 High	1985 Low	Stock	Closing price	+ or −
55	F.P.	27/11	68	65	Brasway 10p	68	
60	F.P.	21/11	93	75	Crowther (J.)	93	+2
106	Nil	—	24pm	21pm	Fisher (Albert) 5p	21pm	−2
100	F.P.	6/12	136	128	Garfunkels Rest. 10p	130	
225	F.P.	6/12	363	280	ML Hldgs.	340	

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimates. g Assumed dividend and yield. H Dividend and Yield based on prospectus or other official estimates for 1985. u Forecast otherwise indicated. ¶ Issued by tender. ‡ Offered holders of ordinary shares as a "rights." [illegible] capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ▌ Allotment price. ‡‡ Dealt in under Rule 535 (3). ♥ Dealt in under Rule 535 (4) (a). † Units comprising 5 ordinary shares and 1 warrant.

PENDING DIVIDENDS

Dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements except where the forthcoming board meetings (indicated thus*) have been officially notified. Dividends to be declared will not necessarily be at the amounts in the column headed "Announcement last year."

Company	Date	Announcement last year
AE	Dec 13	Final 2.5
Aitken Hume	Oct 30	Interim 2.25
Akroyd and Smithers	Nov 20	Final 12.5
*Allied Irish Banks	Nov 13	Interim due
Allied Lyons	Nov 27	Interim 10.4
*Amersham International	Nov 11	Interim 2.2
Argyll Group	Dec. 4	Interim 2.1
*Associated Newspapers	Jan 9	Final 9.5
*Aust and NZ Bank	Nov 18	Final 15c
*Avon Rubber	Dec 4	Final 3
BOC	Dec 6	Final 4.55
*BPB Inds	Nov 26	Interim 3.1
Baker Perkins	Dec 16	Interim 2.6
*Bank of Ireland	Nov 14	Interim 5.5
*Bass	Dec 5	Final 9.6
Beecham	Nov 27	Interim 6.1
*Boots	Nov 21	Interim 2.2
Borthwick (T.)	Nov 29	Final 0.25
*Brown Shipley	Nov 13	Interim 3.5
Burton	Nov 13	Final 4.5
*Cable and Wireless	Nov 19	Interim 2.9
Cape Inds	Dec 5	Interim due
Charter Cons	Dec 12	Interim 3.75
*Chloride	Dec 10	Interim due
Common Bros	Nov 14	Final nil
*Courtaulds	Nov 19	Interim 1.4
*Dawson International	Nov 28	Interim 2.6
*De La Rue	Nov 12	Interim 8.25
Dobson Park	Dec 10	Final 3.31
*English China Clays	Dec 12	Final 6
Extel	Nov 22	Interim 1.5
Ferranti	Dec 6	Interim 0.12
French Kier	Nov 22	Interim 1.55
GEC	Dec 4	Interim 1.35
GEI Intl	Nov 13	Interim 1.94
Granada	Dec 5	Final 4.1
*Great Portland Estates	Nov 12	Interim 1.0
Greenall Whitley	Dec 10	Final 1.928
Greycoat	Dec 13	Interim 0.75
GUS	Dec 6	Interim 6.25
*Habitat Mothercare	Dec 5	Interim 2.4

Company	Date	Announcement last year
*Hambros	Nov 26	Interim 20p
Hanson Trust	Dec 6	Final 3.25
Haslemere Estates	Dec 13	Interim 2.3
Heath (C. E.)	Nov 19	Interim 6.0
Hunting [illegible]	Nov 12	Interim 0.20
IC Gas	Dec 11	Interim 5.25
Intl Leisure	[illegible]	Interim 2.0
Intl Signal	Nov [illegible]	Interim 1c
Kwik Save	Nov 19	Final 2.8
LRC Intl	Nov 21	Interim 1.3
*Land Securities	Nov 13	Interim 2.6
Lond Merchant Securities	Dec 13	Interim 0.7
*Lucas Inds	Nov 11	Final [illegible]
*MEPC	Nov 27	Final [illegible]
McCorquodale	Dec 11	Final [illegible]
*Metal Box	Nov 18	Interim [illegible]
Meyer Intl	Dec 11	Interim 1.8
Norcros	Dec 10	Interim [illegible]
Nthn Foods	Dec 12	Interim [illegible].25
Pegler-Hattersley	Dec 5	Interim [illegible].25
Pilkington Bros	Dec 12	Final [illegible]
Polly Peck Intl	Dec 4	Final [illegible]
*Powell Duffryn	Nov 21	Interim [illegible]
RHM	Dec 4	Final [illegible]
Redland	Nov 29	Interim [illegible]
*Rothmans Int	Nov 26	Interim [illegible]
Royal Bank Scotland	Nov 29	Final [illegible]
*600 Group	Nov 28	Interim [illegible]
*Sketchley	Nov 19	Interim [illegible]
Smith Bros	Dec 13	Interim [illegible]
*Smiths Inds	Nov 13	Final [illegible]
*Tesco	Nov 13	Interim 1.75
Tate and Lyle	Dec 12	Final [illegible]
Trafalgar House	Dec 4	Final [illegible]
*Unigate	Nov 27	Interim [illegible]
*Valor	Nov 13	Interim [illegible]
Vaux Brews	Dec 13	Final [illegible]
Wedgwood	Nov 23	Interim [illegible]
*Whitbread	Nov 20	Interim [illegible]
Wlvrhmptn and Dudley Brws	Dec 11	Final [illegible]

* Board meeting intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made. ¶ Forecast.

TECHNOLOGY

EDITED BY ALAN CANE

Moth Eye for the record

Pilot production has just started of a new optical data recording medium, Geoffrey Charlish reports

Plasmon president Peter Helfet holding a Moth Eye optical disk in front of an injection moulding machine for making the disk blank

PLASMON DATA SYSTEMS of Melbourn, Cambridgeshire, has developed an optical data recording medium called Moth Eye. It is the first British company to enter the field.

Prices, in volume to equipment makers, are "likely to be about $25 a disk in 1986, and to drop below $12 by 1970."

Under the microscope, the unrecorded surface of Moth Eye resembles the multi-faceted cornea of a moth. The medium is non-erasable, although the company is working on an erasable version.

Its main feature is ease of production, using plastic injection moulding techniques already developed for compact audio and video disk manufacture. It uses no exotic materials such as tellurium, employed in contemporary systems, which can degrade. Engineering samples in disk form have been delivered to potential customers since November 1984 and pilot production has just started.

Initially, the disks will be 130 mm in diameter, giving a capacity of 300 to 600 megabytes, depending on the recording technique. (A megabyte is a million characters and is equivalent to about 30 solid text pages of the Financial Times.)

Optical recording, because it makes extremely small marks on the medium with a laser beam, can put 40 times more data on a disk than conventional magnetic recording.

The potential market for the medium, most offerings of which have so far been non-erasable, is thought to be large in archival and semi-archival applications where the information flow is from store to user only.

Even in normal interactive computer systems, many feel the huge capacity will allow users simply to re-write records and ignore the old ones.

Verbatim (Kodak) in the US and several Japanese companies are developing erasable systems. IBM takes a neutral view. Its Mainz magnetic disk plant in Germany recently said BM had optical research programmes. But it is thought that for conventional computer storage, magnetic recording would remain dominant for a long time.

The optical market is already beginning to look crowded. Philips has banking and newspaper orders for its Megadoc system in Europe while Thomson CSF has supplied units to Integrated Automation for the US Library of Congress. Hitachi, Toshiba, Sony and Matsushita are all active in Japan and systems have been supplied to telephone companies.

In the US, Drexler, 3M, Kodak, RCA and Optical Storage International are all active. Drexler, for example, has licensed more than 20 large organisations including Pergamon Press in Britain.

Plasmon employed PA Technology, also of Melbourn, to develop Moth Eye and aspects of the work are the subject of a licence from National Physical Laboratory.

Highly magnified, the disk surface looks rather like an egg box. It acts in a similar way to the inside of acoustic test room, where giant egg boxes fixed to walls, ceiling and floor absorb the sound. Microwave absorber is another egg-box structure, where the dimensions of the many pyramids are arranged to absorb particular radio wavelengths in radar.

For the extremely short wavelengths of light, the pyramid dimensions have to be microscopic—the peaks are spaced by 0.25 micron (millionth of a metre) and are 0.1 micron deep.

When light strikes such a surface, only about 15 per cent is reflected, even when coated with a shiny metal. The rest is absorbed and turned into heat. To record, an extremely narrow laser beam is used to heat the plastic under the metal coating, forming a raised, flat area. The metal coating stays in place and the tiny flat spot becomes relatively reflective.

By turning the recording laser on and off extremely rapidly as the disk rotates, digital data is recorded in the form of concentric rings of short, bright dots and dashes. Similar to Morse Code, these represent digital data, which in turn can represent any kind of information.

To read the disk, another laser illuminates the tracks and a light sensitive device reads the on and off changes.

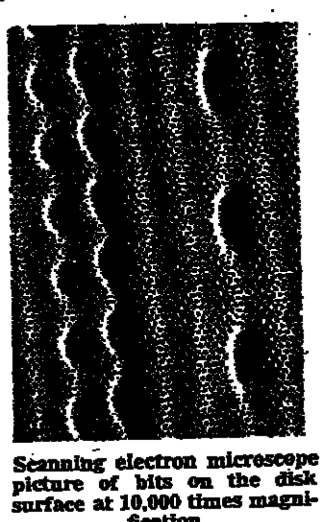
Production disks are made from a master, rather like gramophone records. The master starts as a glass disk which is first coated with photoresist, a substance which breaks down and can be chemically washed away by a developer where it has been exposed to light.

The eggbox microstructure is made by creating a crossed grid pattern of two sets of very closely spaced lines of light at right angles to each other. The line structures are interference patterns produced by a laser interferometer in a proprietary equipment.

After the master disk has been developed, the hill and dale surface is turned into a metallic replica by means of electroplating. This is then used as a mould in injection moulding machines to produce polycarbonate disks at the rate of three a minute. Each production disk is given a highly consistent platinum coating by deposition in a vacuum.

In its work on erasible surfaces, Plasmon will continue to use similar techniques to couple light through to an underlying erasible medium based on principles of altering magnetised bits by means of light. The first samples have been made.

The pilot plant at Melbourn is capable of 10,000 disks a month, adequate for expected demand up to the second half of 1986. By then, says the company, a purpose-built plant will be operational in the US.



Scanning electron microscope picture of bits on the disk surface at 10,000 times magnification

In addition, the company has a joint venture agreement with Kuraray Company of Osaka for manufacture and marketing in Japan. The unit will also provide a second source for the US and European markets.

Innovation from a hostile sea

Mark Meredith looks at how the scramble for UK oil self-sufficiency forged an alliance between deeply conservative oilmen and the electronics industry

BRITAIN'S SCRAMBLE for self-sufficiency in oil during the early 1970s marked the start of a series of specialised technological developments designed to cope with the deep and hostile waters surrounding the country's offshore wells.

Much of that technology is unique and has set the pace for such other offshore developments as off the east coast of Canada. Today more realistic predictions can be made about undersea oil reservoirs, better equipment extracts the oil more efficiently and more safely with fewer people required to face the unfriendly offshore conditions.

But while electronics was quickly adopted for use in some industries, it has not had an easy ride offshore.

The two big industries, oil and electronics, have taken some time to understand each other. The deeply conservative oilmen have been reluctant to try out new and possibly vulnerable computerised equipment. The computer industry presumed until recently that the oil industry would adapt to its hardware and did not produce a tougher breed of machine more suited to rough offshore treatment.

The new generation of offshore drilling rigs and oil platforms show this transformation. The electronics in the early seventies were established but not in time to figure in the offshore control systems and instrumentations. Most of these on early platforms were electro-mechanical and control rooms had entire walls covered with lights and switches.

The most recent offshore structures are today highly computerised. Electronics on Conoco's tension leg platform in the Hutton field monitor and scan thousands of operations, reducing a wall full of alarm signals to a flashing indicator on a screen plus an analysis of the trouble and often a suggested way to handle it.

Over the years an increasing number of independent functions on the offshore platforms have been integrated in terms of their electronic controls. A system which Ferranti will install on Total's two North Alwyn platforms, for example, will bring together fire and gas monitoring, data acquisition and production control as well as the emergency shut down procedures.

The impact of electronics has spread rapidly through the oil companies today offering chief executives instant and comprehensive overviews of operations. The ability to gather, handle and transmit masses of data and for each department head to design the package of information needed has improved decision making.

Improved information gathering and presentation, for example, will allow operators to assess the impact which some new equipment might have on the overall performance of an offshore platform.

BP, in another application, has used software prepared by Scicon in London to produce an overall assessment of their worldwide exploration activities.

A conference on offshore electronics in Aberdeen recently paid special attention to the growth of "total" systems which in effect bring the offshore platform to the executive's desk.

Mr Lew Riding, an offshore electronics consultant based in London, says the trend of spending by operators has shifted from personnel to computers.

It has produced economies in unexpected places such as insurance." The interpretation of more data has helped produce the most comprehensive risk assessment for offshore developments. This may well start to show on the estimated 15 per cent of oil company budgets which are spent on insurance premiums.

Software has moved in with packages pooling vast amounts of relevant factors. Technica, a London-based company of consulting engineers has added the stringent Norwegian offshore safety regulations into a system which oil companies can use to compare their plans. Another industry working group used software to assess the risks involved evacuating an offshore platform.

Shell Expro, which represents the joint offshore activity of Shell and Esso in the North Sea, has one of the most extensive monitoring systems covering a network of offshore fields — including those of other companies — which feed gas into the Flags system destined for onshore processing.

A company attached to Heriot Watt University, Edinburgh, has produced a computer-based well test analysis system to help assess whether a new well is worth developing.

Britoil has prepared an engineering model which it believes will help it make more reliable estimates of the cost of building an offshore structure.

Such companies as Computatest or Caledonian Well Control in Britain have applied electronics to the rugged environment of wellhead pressure measurement or planning the deviation of a drill.

Computer Aided engineering and Design have had a striking impact in offshore fabrication and planning. Working diagrams of the pipework on a platform can be stored and amended in a computer databank rather than on several thousand drawings. The computer is likely to spot a potential collision between two pipe systems earlier than the engineer.

The right combination of hardware and software will also allow the variable impact of government royalties, petroleum revenue tax and corporation tax to be assessed.

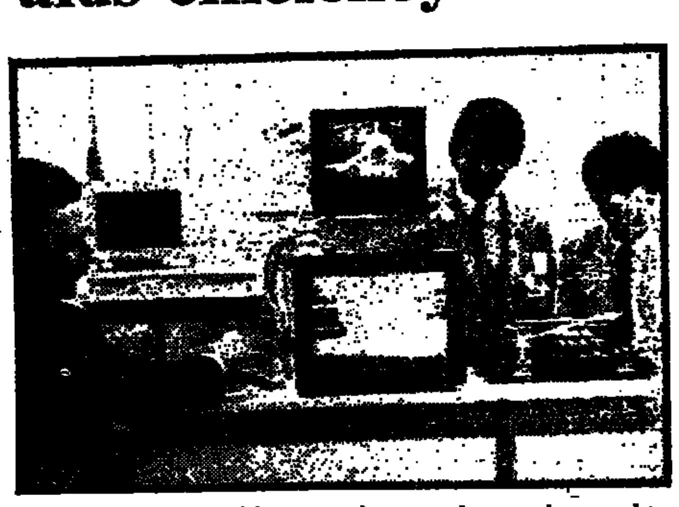
Artificial intelligence is waiting in the wings to help interpret masses of data to help make decisions. But the oilmen still want the final say over their operations.

Electronics, now it is established, and the offshore operators are going to have to go hand in hand into some even fiercer technological challenges presented by the next stage of offshore development the move into deeper waters and the development of smaller, marginal fields.

Exploration and possible development into the north Atlantic will be in depths of 2,000 ft, three or four times the average depth of the North Sea and requiring such equipment as sea-bed productions systems and highly sophisticated control and monitoring equipment operated from less hostile environments many miles away.

For the smaller oil fields—too expensive so far to develop—electronics will help reduce the costs. Again control systems will operate unmanned seabed equipment linking these wells with nearby production platforms or to specially equipped tankers which will plug into a wellhead and take on oil.

Software package aids efficiency



The Computatest digitiser used in amerada scanning can be accurate to plus or minus one micron

COMPUTATEST, one of a growing number of electronics companies involved in offshore development, found its niche in improving a 60-year-old piece of equipment, the amerada.

The amerada is a mechanical gauge used to measure reservoir wellhead pressure. The measurement is crucial for oil companies in predicting the amount of oil which might be forced up by natural well pressure.

The tube-shaped gauge is lowered to the wellhead and left there for up to 360 hours, measuring the pressure increase as the wellhead valve is gradually opened. The gauge scratches a mark on a graphite chart which is rotated by clockwork during the testing.

The problem for the engineers has been the behaviour of the amerada under heat and pressure; performance varies under different conditions.

Mr David Waddell, one of Computatest's founders, has designed a software package which takes into consideration the amerada's variable performance and applied it to the readings fed in by the petroleum engineer analysing the graphite chart.

The correction factors have added to the efficiency of what the oil companies see as a tried and tested bit of equipment. Electronic pressure gauges are already probing this market, but in the view of Mr Mike Ward, Computatest's marketing executive, electronics has still not been able to operate reliably at temperatures above 300 deg F.

The company has licensing agreement for its new system with Britoil and BP. Like many small companies in the oil business expansion is fast and at times worrying. They are working on a overdraft facility to open an office in Houston, Texas.

SWISS BANKING

John Wicks on the international aims of a Swiss bank as it opens a London branch

Volksbank puts a foreign accent on earnings

TRADITIONALLY, Swiss Volksbank has been the most "Swiss" of the country's Big Five. Although the foreign element in its balancesheet assets has risen noticeably during the past decade, the current share of about 20 per cent is still substantially below the big-bank average of more like 50 per cent—and only about half that for Switzerland's banking system as a whole.

The Berne bank has relied largely on correspondent institutes in the handling of foreign business. Until this year, its presence abroad was limited to representative offices in Sao Paulo, Tokyo and Singapore, and the Euro-market and interbank subsidiary, Banque Populaire Suisse, in Luxembourg.

With the official opening next month of a full branch in London, Swiss Volksbank has changed gear, and an increasing volume of business will be carried out from an operating base outside Switzerland. The launching of the City branch may also be the first in a series of foreign ventures.

Reasons for the new policy include, first, the fact that Switzerland does not appear to offer much growth potential. Swiss Volksbank already runs 147 branches around the country—which with about one bank branch per 1,250 inhabitants can hardly be called underbanked. While domestic business is the subject of fierce competition, particularly between the Big Banks, the Cantonal Banks and the regional savings institutes, an expansion of many international operations from a Swiss base is hindered by disadvantageous tax conditions.

Second, Swiss Volksbank—like all its competitors—is keen to build up its commission income. Non-credit activities outside the balance sheet already account for nearly 45 per cent of gross earnings, and this share looks like increasing. London is seen as an excellent centre for such financial services, as well as not being subject to a fiscal regime which rules out the possibility of a Swiss-franc money market and direct participation in large areas of the securities business.

Further down the list of priorities is the expansion of loan business. Balance-sheet growth as such is of no great interest to the bank, which would also be happy to see the foreign share of balance-sheet assets stay near 20 per cent. The high domestic share is seen as an advantage, given the uncertainties arising from international indebtedness; within the bank's foreign loan portfolios less than 1 per cent is accounted for by problem countries.

A more active foreign policy reflects a change in general management philosophy and in the way Swiss Volksbank sees itself. The 116-year-old bank's roots in the country, especially with the middle classes, and its unusual co-operative structure have meant it has tended to act conservatively—a tradition which gained new impetus from a near-collapse before the war.

The approach towards a more international view was slowed down again recently, when a combination of setbacks led to a 48 per cent slump in profits in 1981; apart from the interest crisis which had affected all Swiss banks, Volksbank suffered considerable losses and plenty of adverse publicity from unwise silver transactions.

Since then the entire top management has changed. Also the bank is thriving: net profits reached a record SwFr 75m ($35.6bn) last year and are expected to rise again in 1985.

Commenting on 1985 results, Mr Walter Ruegg, general manager, said that in the first nine months earnings from securities and issuing business, as well as from foreign exchange trading, sharply exceeded levels in the same period of 1984. Growth in cash flow was also above last year's levels, he said.

The balance sheet total rose in the first nine months by SFf 2.3bn or 10.3 per cent to stand at SFr 24.8bn at the end of in 1985. Holders of shares and participation certificates collected higher dividends (of SwFr 53 and SwFr 5.30, respectively) this year.

Investors proved that they thought well of the livelier bank in September when Swiss Volksbank Finance (Cayman Islands) issued $75m worth of equity-linked bonds. These were over-subscribed, while a parallel offer of SwFr 125m in warrant bonds was also "over-subscribed many times."

Having been accepted by the foreign investing public, Volksbank is out to build up operations abroad. The first and key development is the London branch, which began business under Mr Patrick von Stauffenberg, its manager, back in May, and has helped bring about the closure of the Luxembourg subsidiary.

The London branch will be engaged mainly in Eurobond business, the money market, foreign exchange—where Volksbank is one of the major dealers back home—and institutional and private investor activities. There will also be some credit operations, such as syndicated and foreign-currency loans or trade financing.

Recent statements by Mr von Stauffenberg indicate that future aims include building up of placing power in the City and portfolio management.

The London venture could be the start of a more extensive foreign network, says Mr Rudolf Lienwert, general manager of the bank's Berne headquarters. This would provide the basis for higher earnings, given that profits from domestic activities are subject to limited expansion, and at the same time meet the goal of increasing commission activities.

Although no firm decisions have been reached, it seems probable that Volksbank might seek direct access to the dollar home market via a New York branch. Any North American presence could be strengthened by the opening of an International Banking Facility there, perhaps is connection with a Caribbean offshore base.

Elsewhere, the bank might consider cashing in on Far Eastern links with a capital-market operation which could take the form of a Japanese securities' company. Mr Liebert says that Volksbank might well follow a growing number of its compatriates to Frankfurt, although this is still under consideration.

London might see a further expansion. If necessary, Volksbank would look at forming the City-based securities department into a separate unit, as other big banks have done. How about following in the steps of Union Bank of Switzerland and Crédit Suisse with the takeover of a London stockbroker? "We would consider it if the opportunity were to arise," says Mr Liener.

Swiss Reinsurance looks forward to improved results

SWISS REINSURANCE, the world's second largest reinsurance group, expects improved results for 1985, barring severe losses in the remaining weeks of the year, writes our Financial Staff.

For 1984 the group netted SFr 120m ($55.6m).

The company said it was likely to again make an underwriting loss but that this would be more than offset by investment income.

Income from investments may grow at a slower rate in 1985 due to the drop in the value of many foreign currencies against the Swiss franc during the year the company warned. But underwriting losses are also likely to narrow for the same reason.

Last year the group made an insurance loss of SFr 528m but notched up investment income of SFr 1.05bn.

Swiss Re noted that its restructuring programme should also help results this year.

The company said, however, that it would have to reckon with around SFr30m in settlements stemming from the Mexican earthquakes—about SFr 10m lower than an earlier company estimate. It must also cover SFr8m in losses from two airline crashes this year.

As for premiums, Swiss Re does not expect any "noteworthy" increases in the volume of premium income. It took in SFr 11.5bn in gross premiums last year, an

Mr Walter Diehl, the president, referring to the long-term underwriting difficulties, said it would be a "sensible" goal to be able to cut the parent company's 1984 insurance loss by half to SFr 150m in 1985.

On another topic, Mr Diehl said the company had not yet any specific plans for the SFr 400m it will receive from the planned capital increases. He noted that the company had long beer interested in acquiring profitable, direct insurers in special niches of the industry

Uranium mining group finds a solution to cheap prices

BY MARY FRINGS IN DALLAS

A MAN who leads a management buyout of the same company twice must be convinced it has a lot going for it.

Mr Ray Larson runs a uranium mining operation in Texas, at a time when the US uranium industry as a whole is so battered by the impact of cheap imports, the drawing-down of inventories and the cancellation of nuclear reactor orders that in September Mr John Herrington, Energy Secretary, declared it non-viable.

What makes Uranium Resources Incorporated (URI) and a handful of similar companies better able to survive than the rest is a cheaper, quicker and more efficient process of leaching out concentrated uranium oxide from an ore-bearing aquifier, rather than sinking a conventional mineshaft, digging the ore out of the ground and then milling it.

Although the use of acids for leaching out copper is historically well known, *in situ* solution mining of uranium is relatively new, with the first commercial plant coming on-stream in 1975. US companies Western Nuclear and Phelps Dodge have been associated with a successful pilot plant in Australia, but as far as is known commercial production using this technique has gone ahead only in the US and mainly in Texas. The process accounts for 20-30 per cent of total US uranium output of some 12m lb a year.

Solution mining is economically attractive because it requires less capital and fewer people, is highly efficient (in most cases recovering 75 per cent of the uranium in place), and can be used in situations where the ore body is too deep or too small for conventional surface mining.

It is also environmentally attractive, since it does not destroy the land and stringent US state laws require restoration of the underground water to its natural chemical composition.

Basically, the leaching process involves pumping water from an ore-bearing aquifier, adding oxygen and bicarbonate of soda and recirculating it through a system of injection and extraction wells. The uranium-bearing solution is then passed through ion exchange columns at the surface and concentrated into a dust-free slurry known as yellowcake, which is sent to a conversion plant for processing into uranium hexafluoride. This must be enriched by radioactivity before it can be used to fuel nuclear reactors.

Mr Larson, a banker with Security Pacific before joining (in 1971) R. L. Burns, a publicly-quoted energy company with interests in coal, oil and gas, first came across solution mining for uranium in 1976. He went to Phoenix, Arizona, to look at a company called Nuclear Dynamics, which had been introduced by a stockbroker as a possible investment, but which had pretty much fallen by the wayside.

In the course of this investigation he hired two consultants, and the more he learned about solution mining the more he became intrigued by it. Finally he recommended to fellow directors of R. L. Burns that the company should form its own uranium division, and concluded his presentation with the argument that "in a bad market, a good solution mining company will be the last to go broke." Today he adds ruefully: "I hope that wasn't prophetic."

URI was set up in 1977 and Mr Larson became chairman of the board and executive president. He led the first management buyout when the parent company (R. L. Burns) was acquired by Consolidated Oil and Gas of Denver, Colarado in 1978, but in August 1981 there seemed to be capital advantages in belonging to a large group so the management traded their company for stock in Nucorp Energy Incorporated.

A year later, however, Nucorp was caught in the oil crunch and filed for protection and reorganisation under Chapter 11 of the US Bankruptcy Laws. Most of its 27 subsidiaries went into liquidation, but in December 1982 URI's stock was acquired by its original parent — which by then had changed its name to Pyro Energy Corporation — with an option for the management to buy it back. In December 1983, when the US uranium industry was going rapidly downhill, they did just that.

"Because of the *in situ* mining technique," says Mr Larson, "we are confident that, given a reasonable quality ore body, we can be marginally competitive in the world market, even at $16 a pound" (the current spot market price for uranium).

URI has produced uranium on a commercial scale from three *in situ* mining operations in south Texas, one of them for a subsidiary of Tenneco which has taken it over on completion of the contract. The other two plants, one wholly-owned and the other a joint venture with Coastal Corporation, are undergoing restoration, using reverse osmosis to filter out dissolved salts and return the underground water to pre-mining conditions. Once the surface structures have been taken away the land will revert to its original use.

Restoration has been completed at the site of the wholly-owned North Platte pilot plant project in Wyoming, where a multi-million pound ore-body has been discovered at depths of 300 ft to 600 ft. However, the ore is not of the highest grade and commercial production may not be viable unless the market improves to the $20 to $25 a pound range.

Under Wyoming state law, which differs from that of Texas, a pilot plant operation must be signed off by the Department of Health and the Water Commission before production permits can be applied for.

There are much better prospects at Kingsville Dome in south Texas, where URI's partner in a 3,000 to 4,000 acre property is Phelps Dodge. The company is in the process of obtaining permits, and this project will definitely go ahead, according to Mr Larson, with a target date of the first quarter of 1987 for commercial production.

Boost for S. Korean venture capital industry

BY STEVEN B. BUTLER IN SEOUL

AN INJECTION of fresh capital some of it from overseas, is set to bolster South Korea's fledgling venture capital industry, in an effort to provide more funding for small companies in the country.

Last month Credit Agricole of France signed an agreement to purchase a minority equity interest of 220m won ($250,000) in the Korea Development Investment Corporation (KDIC), Korea's only true venture capital fund.

Although the amount is small, it follows a recent agreement with American Can to invest 750m won in the company. Further discussions are under way with Westinghouse and with Japan Associated Finance Company (Jafco), a subsidiary of Nomura Securities, that would raise KDIC's paid-up capital from a current 7.5bn won to 10bn won, possibly by the end of the year. The expansion of KDIC's capital is part of a broader effort by the Ministry of Finance to encourage the development of small, high-technology companies as a counterbalance to the huge conglomerates which dominate the Korean economy.

A majority of KDIC's shares is held by seven short-term financial companies in Korea. The International Finance Corporation of the World Bank, the Asian Development Bank, and DEG, the German finance company, each holds a minority interest.

The Ministry is considering the establishment of three venture business funds, for a total of 10bn won, that would be listed on the Korea stock exchange, with shares sold both domestically and overseas.

Baring Brothers has reached an advanced stage of discussions with the Korea Investment Trust Company about setting up such a fund. Daehan Investment Trust has been talking to Jafco. But a company official said that they had been unable to solve certain tax and regulatory problems from the Japanese side, and that Daehan might have to seek another foreign partner. Citizens' Investment Trust is still drawing up the structure of its prospective fun.

Project management

Tunnelling through a mass of complexity

Joan Gray on the challenges of the Cairo Wastewater contract

"THE TUNNELLING'S the easy bit," says John Hudspeth, with a wave of the arm round the corner of the abattoir in old Cairo where he is to sink a new sewer shaft roughly the size of an underground railway tunnel.

"It's working in all this that's difficult," he adds, with a gesture towards a shelf of freshly severed camels' heads.

Hudspeth is project manager on Contract 12 of the £2.57bn Greater Cairo Wastewater project, the largest public health engineering scheme in the world.

The contract is part of the £800m British-backed first phase of the project on the east bank of the Nile. This involves building a 16 km long tunnel sewer—wide enough to hold seven BL minis—through the heart of Cairo, together with 30 km of branch sewer tunnels, and enough pumping stations and water treatment plants to meet the city's needs by 1990.

It is a type of project which presents an unusual array of complexities and problems. Considerable negotiating skills were necessary to put together a sophisticated package of public and private sector finance; difficulties faced in the use of high technology equipment in a selection of particularly colourful locations; and there is a need to ensure that suitable high-performance materials are available in a country where they may not yet be manufactured.

The project also illustrates the strategic challenge presented by the need to structure a consortium of otherwise competing companies so that they work together successfully in the joint venture.

Cairo's present sewerage system is grossly overloaded. It was designed 70 years ago to serve the needs of only one million people, for a city that now has a population of 10m.

The signs of trouble are unmistakable everywhere in the city: suspiciously large dark puddles in streets which get only a couple of days' rain a year; ancient crypts awash with raw sewage; traffic jammed by large blue dredging machines over every manhole cover trying to tackle the unequal task of keeping the sewers clear; and Cairo's infant mortality rate, ten times as high as that in any western city.

Although the Government has been only too aware of the problems, it was unable to afford a new sewerage system until it was offered aid from the British and US Governments—conditional on the work involving companies from both countries.

John Hudspeth's sewer is part of the British-aided section on the east bank of the Nile. He is responsible for a £95m contract which involves building a 3.3 km long section of main sewer tunnel, 4 m wide, and its associated collectors, 17 m deep under the heart of old Cairo.

Lowest bid

The contract was awarded to the Anglo Egyptian Cairo Wastewater Consortium, the grouping that put in the lowest bid. It consists of four British companies — Balfour Beatty, Cementation International, Edmund Nuttall and Tarmac Overseas—and a local partner, Arab Contractors, the largest construction company in Egypt.

Hudspeth is a Tarmac man, a tall rangy expatriate with a deep-lined tan, faded blue eyes and quirkily tolerant sense of humour to testify to his 25 years working overseas.

He works from a headquarters hut at Fostat, overlooked by the mosques and minarets of the old citadel, and beside a burning, smoking rubbish tip. Packs of wild dogs and litters of wild pigs scavenge constantly among the refuse.

The location won him much sympathy from his colleagues at the start. "The smell's not too bad," he says. "Most of the time she's pretty good, depending on the wind—and I reckon I've got the best working area in Cairo now because you can get more space and extra land to work on quite easily whenever you want."

Getting access to working sites is a major problem. On Contract 6 for example — a £40.5m culvert digging project being carried out jointly by Tarmac and Arab Contractors—the contractors were ready to start work in September 1984.

A year later they have still been unable to begin work. For no sooner did they try to move on to the site allocated by the consultants in overall charge of the wastewater scheme — the AMBRIC group, which reports to the Ministry of Housing and Utilities—than the Department of Antiquities called a halt.

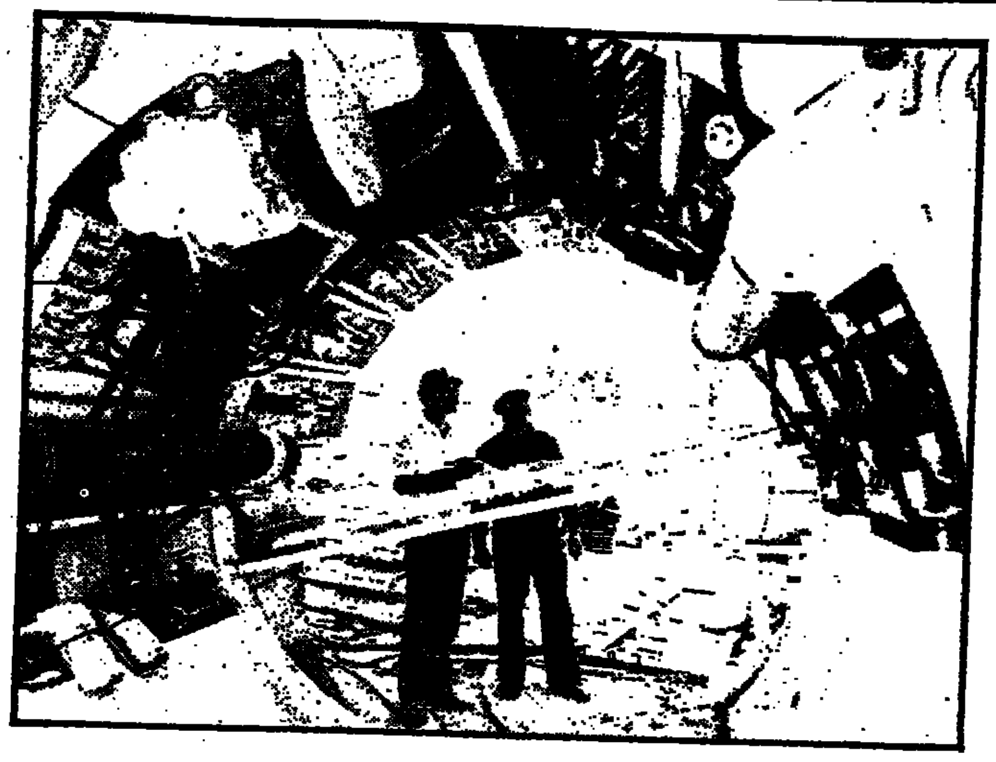
What appeared to be just another rubbish dump overlooked by tenements and with goats tethered among the derelict cars was in fact the site of the ancient city of Own, the deeply buried walls of which can now be seen emerging from the freshly-excavated rubbish.

Meanwhile, the contractors are still negotiating a new working site and a new line for the culvert to avoid the ancient remains. They hope to make up lost time later by bringing in additional concrete-laying teams and are negotiating on the extra costs.

Hudspeth has not had to encounter any such esoteric problems—yet. He is still in the very earliest stages of his contract—awarded in August—and is still setting up sites for work to start on the tunnel access shafts.

This involves first exposing the electricity cables, water pipes, gas mains and old sewage tunnels which all have to be diverted by the local authorities before work can begin. This is a process which in itself requires careful negotiation with them and loans of useful equipment to the authorities concerned for their own tasks before the diversion can be undertaken.

He has also had to disrupt the local traders, who sell everything from tea to skeins of wire wool, and negotiate with those whose stalls would have been crossed by the hoardings delineating his site boundary. This is a process which has required considerable tact and patience and diversion of the site boundary where necessary—and he now has free teas and a chair brought to him by a thankful local proprietor.



A Delcon tunnelling machine which drives branch sewers for the Greater Cairo Wastewater project

Once the site is clear and work starts, excavation takes place in compressed air at a pressure of approximately 30 psi—comparable to the inside of a car tyre—to keep the water out when digging in the wet sandy soil beside the Nile.

Sinking shafts and tunnelling with men working in compressed air involves using techniques similar to those required to stop divers getting the bends, and requires sites in the heart of Cairo to be fitted with air locks and decompression chambers.

"It's easy for John to say the tunnelling is the simple bit, but that's because we've done it all on our contract first," said Peter Mason. He is senior planning engineer on the Wastewater Consortium's contract 3, where work started in February.

Contract 3 is a £94m job tunnelling a 4 km long section of the 5m wide main sewer, 21m below the city southwards from Ameria pumping station.

Mason is currently sinking the deep triple shaft — it involves excavating up to 40 ten-ton truck loads of sand an hour—down which the giant Bentonite Shield tunnelling machines, 5m across and made by NEI Clark Chapman of Leeds at a cost of £4m, will be lowered to start work.

The Wastewater Consortium's tunnelling contracts are examples of an increasingly common pattern in international contracting.

Not only have the contractors had to get involved in aid packages and complicated financing deals to get the work, but they are also working in joint ventures to share the risks involved and pool the skills required for such a complicated undertaking.

In the Wastewater Consortium, the problem of potential rivalry between people from different companies who may be in fierce competition on other contracts is tackled by seconding all staff to the Consortium, with a common structure of salaries and bonuses.

Work together

On contract 3, for example, Peter Mason is a Balfour Beatty man and the engineering manager, David Court, comes from Edmund Nuttall.

"You have to accept that you're more or less leaving your company for the project and give your loyalty to that," explains Court. "But in tunnelling you often already know each other anyway." He and Peter Mason, for example, had already worked together on their previous job, building the £60m Victoria Dam in Sri Lanka.

"You do have to look for suitable personalities to work overseas," he adds. "You need to be extrovert, but tunnelling engineers tend to be one of the lads anyway."

A prime requirement of international contractors is that they be the sort of person who can cope with rats in the bath or cartloads of fresh-killed camel skins with equanimity—or smile courteously when presented with horned slugs, mountain frogs or terrapins in the soup when dining in the best restaurants while touting for work in China.

They also have to keep a careful eye on the details of the contract's progress.

A matter currently vexing the Wastewater Consortium contractors is that the sewer tunnels have to be lined with acid resistant bricks to prevent the concrete being eaten away by sludge gases.

This requires 6m bricks on Contract 3 and 4m bricks on Contract 12—but no brickworks in Egypt can yet make bricks to the required specification.

"We keep traipsing round the brickworks testing bricks and trying to persuade the manufacturers to buy the equipment needed to make them," says Wastewater Consortium director George Cummings. This is a politically sensitive manoeuvre, as Egypt's brickworks cannot be seen to be unable to provide the bricks for its own new sewers.

"It's a problem," says Cummings. "The tunnelling we know we can do, but it's the brickwork that will make or break the contracts. But at least we know it's a problem. And it's the problems you know that are never the worst."

Management abstracts

Air couriers. International Management Europe (UK), July 85 (4 pages)

Surveys the international air parcels/courier market, and looks at the activities and future plans of some of the major competitors—the U.S.-based DHL, Emery Freight, and Federal Express.

Management and public policy in plant closure. D. Yoder & P. D. Staudohar in Sloan Management Review (U.S.), Summer 85 (13 pages)

Discusses the impact plant closures have on companies, workers and communities; draws examples from General Motors and Ford in California. Examines how each dealt with the closure, compares the approach in terms of ensuring income security, relocation to other plants, training and placement, and highlights differences (most to the credit of Ford). Argues the case for legislation to ensure a three-month advance notification of closure is given to workers (GM workers were only given three weeks), but considers that voluntary compliance with codes covering severance pay, health insurance and training opportunities is sufficient.

Managing computerphobia. T. C. Little in Supervisory Management (US), June 85 (5 pages)

Highlights the fears that many managers, supervisors, and clerical staff have about working with computers, the changes to working practices which come in their wake, and identifies their symptoms. Suggests corrective action such as better training and induction, ensuring that instruction manuals are easy to follow, and paying proper attention to physical working conditions.

Entrepreneurial careers for jaded middle managers. M. Twartz in Rydges (Australia), May 85 (1 page)

Examines ways to prevent employees with long tenure of one position from "retiring on the job"; commends IBM's creation of entrepreneurial "independent business units" to offer such people a challenge; suggests also the idea of releasing them for two days a week to pursue a second career.

Incentives for R&D activities. P. Haug + R. E. Pizzi in R&D Management (UK), July 85 (9½ pages)

A survey of fifteen U.S. electronics companies operating in Scotland concludes that government grants to encourage R&D and new technology, which are typically 10-50 per cent of project costs, are not shifting the companies toward more high technology but are being used to reduce the cost of activities which multinational parents had already decided on.

Purchasing practices in the UK. B. G. Dale + R. H. Powley in Journal of Purchasing and Materials Management (US), Spring 85 (8 pages)

Analyses five anonymous UK manufacturing organisations, employing between 100 and 1,300 staff, in terms of their purchasing organisations, the scope/responsibilities of the purchasing function, and the measures used to monitor purchasing performance (finding that accounting controls dominate). Notes that vendor rating schemes are not used, and sees the function, in every case, operating on a short-term crisis basis to the total exclusion of long-term planning.

Training men to work with women. M. Pedler + R. Fritchie in Women in Management Review (UK), Summer 85 (10 pages)

Reflects upon the difficulties in getting men to accept equal working roles for women; sees these difficulties emerging in the stereotypical views men hold of women, the blocks created by male-dominated organisations, and the fear of sexuality (more evident in men than women). Remarks on women-only management development, and concludes that separate training and positive action programmes are destined to fail, preferring joint training in which experiences, fears and attitudes are shared.

Who audits the auditors? H. Wilkinson and others in Public Finance and Accountancy (UK), 19 July 1985 (3 pages)

Two related articles: (1) tells how the Audit Commission (which appoints and pays auditors, but is not composed of audit clients) monitors the performance of local government auditors by reviewing audit input, operation and output; (2) describes the criteria accountants and management consultants, Deloitte, Haskins and Sells, use to measure client internal audit department performance.

These abstracts are condensed from the abstracting journals published by Anbar Management Publications. Licensed copies of the original articles may be obtained at £4 each (including VAT and p + p: cash with order) from Anbar, PO Box 23, Wembley HA9 8DJ.

LONDON SHARE SERVICE

BRITISH FUNDS

Interest Due	Stock	Price £	Last xd	Yield Int.	Yield Red.
	"Shorts" (Lives up to Five Years)				
25 Aug 25 Feb	Exch 11¼pc '86	99¼	19 7	11.75	11.41
11 Oct 11 Apr	Treas. 10pcCnv 1986	99¼	4 9	10.06	11.44
19 Nov 19 May	Treas 3pc 1986	96¼	14.10	3.12	10.81
19 Nov 19 May	Exch. 10½pc Cv '86	99⅝	14.10	10.54	11.38
12 Dec 12 Jun	Treas. 12pc 1986	100¼	5.11	11.95	11.40
10 Jan 10 Jul	Treas 8¾pc 1984-86‡‡	98¼	3.6	8.65	11.22
29 Apr 29 Oct	Exch. 14pc 1986	102¼	23 9	13.66	11.24
21 May 21 Nov	Exch. 2½pc 1986	94¼	15 10	2.64	8.34
22 Jul 22 Jan	Exch. 13¼pc 1987	102¼	17 6	12.97	11.18
10 Aug 10 Feb	Treas 10¼pc Cv '87	98¼	4 7	10.36	11.09
24 Aug 24 Feb	Exch 2½pc 1987	92¼	18 7	2.70	8.58
6 Oct 6 Apr	Exch. 10½pc 1987	99⅛	2 9	10.56	10.96
1 Nov 1 May	Funding 6½pc '85-87‡‡	94¼	25 9	6.85	10.31
12 Dec 12 Jun	Treas. 10pc 1987	98¼	5 11	10.13	10.97
14 Jan 14 Jly	Treas 3pc 1987	91¼	7 6	3.29	8.81
3 May 3 Nov	Treas 12pc 1987	101⅞	27 3	11.77	10.91
26 Jul 26 Jan	Treas 7¾pc 1985-88‡‡	94¼	19 6	8.29	10.56
10 Nov 10 May	Exch 10½pc '88	99¼	4 10	10.55	10.78
14 Dec 14 Jun	Treas 9¾pc Cv '88	97¼	7 11	9.98	10.83
1 Jan 1 Jul	Transport 3pc '78-88	86¼	28 5	3.45	8.67
25 Apr 25 Oct	Treas. 9½pc '88	96¼	28 9	10.83	10.80
22 Aug 22 Feb	Treas 11½pc 1989	102¼	16.7	11.28	10.76
18 Oct 18 Apr	Treas 9½pc Cnv. '89	96¼	11 9	9.83	10.71
15 Nov 15 May	Treas 3pc 1989	83¼	9 10	3.57	8.42
14 Dec 14 Jun	Treas 10½pc 1989	99¼	7 11	10.56	10.70
1 Feb 1 Aug	Exch 10pc 1989	97¼	25.6	10.22	10.70
29 Mar 29 Sep	Exch 11pc 1989	100¼	23 8	10.91	10.72
15 Apr 15 Oct	Treas 5pc 1986-89	86	9 9	5.81	9.33
15 Jul 15 Jan	Treas 13pc 1990‡‡	107¼	10.6	12.06	10.61

Five to Fifteen Years

Over Fifteen Years

Undated

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INDUSTRIALS—Continued

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's	P/E
July	Nov	Maclellan (P & W) 20p	44	30.9	11.7	2.3	5.5	9.1
Oct	May	Magnolia Group	74	16.9	2.6	3.0	5.0	9.8
—		Mallinson Hldgs 10p	45	—	—	—	—	73.5
April		Man. Ship Can. £1	476	25.2	5.5	3.5	1.7	25.0
Oct	May	Marley	113	2.9	3.75	2.2	4.7	13.7
Jan	Oct	Marling Ind 10p	95	29.7	d1.5	5.1	2.3	12.1
Dec	June	Marshall L'ay 'A'	74	30.9	12.4	4.9	4.6	5.3
Jan.	July	Marshall's Universal	68xd	28.10	12.0	1.4	4.2	[illegible]
June	Dec	Do 7¼pcCnRedPf £1	88	1.7	7¼%	—	12.2	—
—		Mathesons 7¼%	£105	30.6	07¼%	2.3	17.6	—
—		Maurer 1p	27	—	—	—	—	—
Jan.	June	Metal Box £1	551	17.6	17.25	3.1	4.5	8.3
Nov.	June	Metal Closures	117	16.9	6.7	2.0	8.2	7.3
—		Metal Sections 2½p	7½	—	—	—	—	—
July	Jan	Midland Marts	78	1.7	4.0	2.1	7.4	9.2
Jan.	May	Mitchell Cotts	78	25.3	4.25	♦	8.0	♦
Jan.	July	Morgan Crucible	200	29.4	18.0	1.6	5.8	13.6
May		Morris (W) F.A. 20p	26	—	g0.5	♦	2.7	♦
Jan.	Aug	Moss (Robt.) 10p	123	3.6	3.0	2.5	3.5	13.6
July		Myson Grp 10p	63½	13.5	g2.5	3.4	5.7	11.9
Nov	June	NMW Computers	280	14.10	[illegible]	2.7	2.4	21.5
Mar.	Sept	Nash Inds.	32	14.1	12.5	1.5	[illegible]	7.4
Oct.	April	Neil & Spencer 10p	15	3.81	—	—	—	4.5
Jan	July	Newman Inds 10p	27½	28.10	2.0	—	16	13.0
April	Oct	Nolton	44	29.7	11.17	♦	3.8	♦
Jan.	Aug	Norcros	211	15.7	8.6	2.2	5.8	10.5
Oct	April	Nu-Swift 5p	50	14.10	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INSURANCES

LEISURE

LEISURE—Continued

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's	P/E
Nov	May	Central TV N-V 50p	287	30.9	10.5	2.3	7.2	8.6
		Chrysalis	230xd	28.10	5.6	2.6	3.5	14.9
October		Entertain Prod 5p	13	16.9	bd2.25	2.3	24.7	2.3
Feb.	June	Fairline Boats 10p	78	17.6	12.63	2.6	4.8	11.1
Apr.	Oct	First Leisure £1	385	16.9	16.5	2.8	2.4	18.9
—		GRA Group 5p	66	—	—	—	—	88.8
Jan	June	Grampian TV A 10p	38	13.5	[illegible]	♦	7.9	♦
May	Oct	HTV Non Vtg	170	[illegible]	7.7	2.9	6.5	7.5
May	Oct	Horizon	95	2.9	[illegible]	3.6	6.6	4.2
Dec	June	Insight	160	16.9	[illegible]	6.5	2.2	9.9
Jan	Aug	Intl Leisure 10p	103	29.7	4.8	3.1	6.7	5.6
Nov	June	Juliana's Hldgs 2p	105	16.9	12.0	1.8	2.4	17.3
Jan	April	LWT	285	15.4	14.4	2.3	7.2	8.6
—		Leisure Inv 10p	33	—	—	—	—	♦
Jan	Jul	Leisuretime Inv 10p	54	12.8	12.1	3.9	5.6	5.8
—		Lowndes	108	—	u2.53	3.0	3.5	13.3
14.2		Media Tech Int 20p	163	16.9	g2.58	5.4	2.3	13.2
Apr.	Dec	Medminster 10p	155	11.3	5.35	♦	5.0	♦
Oct	May	Miss World 10p	220	2.9	3.6	4.1	2.3	15.0
May		Nationwide Leisure	72	16.9	13.75	2.5	7.4	6.4
—		Norvic Inv 20c	13½	—	—	—	—	—
July		Owners Abroad	20½	29.4	1.0	2.2	6.9	9.3
—		Photax (Lon.)	40	4.82	—	—	—	—
April		Piccadilly Radio NV 5p	19½	12.8	1.87	1.1	13.7	9.7
December		Pineapple Dnc St 10p	40	[illegible]	d1.5	1.2	5.4	21.5
Sept	Apr	Pleasurama 5p	322	2.9	[illegible]	3.7	2.0	19.1
Sept.	Mar	Do 7pcCvCnRedPf	153	12.8	7%	—	6.5	—
May		Pres. Entertmt 50p	86	24.10	M2.0	2.3	3.3	20.4
Feb-July		Radio City 'B' NV	18	[illegible]	[illegible]	0.9	[illegible]	3.6
Jan	July	Radio Clyde N.V.	40	3.6	3.25	2.0	11.6	5.9
—		Riley Leisure 10p	44	10.80	[illegible]	—	—	—
Apr.	Nov	Saga Hols. 20p	280	12.8	14.0	2.1	3.2	19.2
Apr	Nov	Samuelson Grp 20p	282	3.10	1.8	6.0	0.9	21.3
Jan	July	Sanders Photo 10p	33xd	28.10	2.0	1.9	8.7	8.6
July		Scantro 50p	140	13.5	g3.68	2.6	3.8	13.5
Dec	May	Scott. TV 'A' 10p	168xd	28.10	18.8	2.8	7.5	6.9
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

PROPERTY—Continued

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INVESTMENT TRUSTS—Cont.

Finance, Land, etc

FINANCE, LAND—Cont.

OIL AND GAS

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

MINES—Continued

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

Miscellaneous

NOTES

REGIONAL & IRISH STOCKS

"Recent Issues" and "Rights" Page 22 (International Edition Page 25)

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £800 per annum for each security.

INTERNATIONAL APPOINTMENTS

Managing board replaced at troubled Austrian bank

OESTERREICHISCHE VOLKSBANKEN (OVAG), Vienna, supervisory board has appointed a new managing board of Mr Robert Maedl and Mr Johann Kubu, with Mr Maedl as director-general, to replace the three-man board which resigned recently, Reuter reports.

OVAG is the central institute of Austria's co-operative banking system, acts as a clearing bank for the sector's 115 independent credit co-operatives, and issues bonds and handles international business for them.

Former managing board member Mr Guenter Grehl said the board had resigned because of disagreements about restructuring some of the members. members.

The OVAG management had sought stricter controls over troubled members but this was rejected by members and the co-operatives association, Oesterreichischer Genossenschaftsverband.

Supervisory board president Mr Franz Wenzel denied some member co-operatives were in difficulties but said some needed more capital to fulfil stricter capital ratios proposed under a new banking law.

Mr Wenzel said the Finance Ministry had agreed that no member co-operatives should be expropriated.

If a member co-operative got into difficulties, the association could remove its management and take over its affairs, with the approval of the Ministry, but that was not necessary at the moment, he said.

As OVAG supervisory board president he could say that OVAG was perfectly sound, Mr Wenzel added.

Atlantic Federal changes

At ATLANTIC FEDERAL SAVINGS AND LOAN ASSOCIATION, Fort Lauderdale, Mr Donald V. Streeter has resigned as chairman, president and chief executive officer. The company gave no explanation for the resignation, but said he will continue to advise it as director emeritus. Ms Suzanne Coleman, vice president, marketing, said he resigned "for personal reasons."

Mr Charlie C. Winningham, formerly vice chairman, was elected chairman and Mr N. Mark Wright was appointed acting president and acting chief executive officer. Mr Wright was also elected a director. Mr Wright was vice president, corporate consumer finance, of Goldome FSB, Buffalo.

Giscard joins AEB French subsidiary bank

American Express Bank (AEB), wholly-owned international banking arm of American Express Company, has elected Mr Francois Giscard d'Estaing as chairman of the board of TRADE DEVELOPMENT BANK (FRANCE), a wholly-owned subsidiary of AEB. He is a cousin of the former President of France. Previously, Mr Giscard d'Estaing served for 11 years with the Banque Francaise du Commerce Exterieur, most recently as president. Prior to that, he served nine years as deputy director-general of the central bank of Central African States.

Penn Central senior post

THE PENN CENTRAL TELECOMMUNICATIONS CO has appointed Mr Peter Gordon president of its General Cable International, Inc unit. Mr Gordon joins International, Inc from Standard Telephones and Cables, where he served as general manager of the defence systems division and a director to STC Telecommunications

★

MITEL CORPORATION, Canada, has made changes and additions to the company's senior management: Mr Anthony F. Griffiths joins from the investment management company Connor Clark & Co as president and chief executive; Mr Terence H. Matthews, formerly president and chief executive, is appointed chairman of the board.

Texas Eastern vice chairman

TEXAS EASTERN CORP, Houston, has elected Mr Henry H. King as vice chairman, previously an unfilled position, and Mr Dennis R. Hendrix as president and chief operating officer, succeeding Mr King.

Mr Hendrix, who was also elected a director, was previously executive vice president and a director of the Halliburton Co.

★

TEXAS INSTRUMENTS, Dallas, has elected Mr Bernard M. Fauber as a director. He is chairman and chief executive officer of the K mart Corporation.

Joining Philip Morris board

PHILIP MORRIS COMPANIES INC, New York, has elected Mr James L. Ferguson, chairman and chief executive of General Foods Corporation, and Mr Philip L. Smith, president and chief operating officer of General Foods, to the board of Philip Morris. Mr Ferguson was also elected a vice chairman. Mr Hamish Maxwell, chairman of the board and chief executive officer of Philip Morris, said: "The elections result from the merger between Philip Morris and General Foods. Up to three additional former outside directors of General Foods also will be invited to serve on the Philip Morris board."

MOVES IN BRIEF

President for Mattel Inc.

MATTEL INC, Hawthorne, California, president, Mr Glen Hastings, has resigned for personal reasons and will be succeeded by Mr Thomas Kalinske, who was president of the company's Mattel USA Inc unit. Mr Hastings will remain a member of the company's board and assume the new position of vice chairman.

★

Mr Robin Lamprecht has been appointed president of FRANK B. HALL AND CO OVERSEAS INC, Briarcliff Manor, New York. Mr Lamprecht was director of Alexander and Alexander Service's Inc's international division.

★

Mr Joseph S. Barrera has been promoted to vice president/general manager of gallium arsenide operations at Harris Microwave Semiconductor, a division of HARRIS SEMICONDUCTOR.

★

Mr Albert C. Kibbler has been appointed vice president of marketing, HONEYWELL EUROPE. Prior to taking up his new position in Brussels, he was vice president and group executive of the semi-conductor group at Honeywell's headquarters in Minneapolis.

★

Mr Jeffrey Heck has been promoted to vice president and controller of FLEXI-VAN LEASING INC, the operating unit of Flexi-Van Corporation, New York. He was director of budgeting, planning and accounting.

★

INTERNATIONAL BUSINESS MACHINES CORP vice president Mr James A. Bitonti has been named assistant group executive, Asia/Pasific Group, based in Tokyo. He is succeeded as president of the communications products division by vice president Mr Terry R. Lautenbach, who was succeeded as vice president marketing by vice president Mr H. Mitchell Watson Jr. Mr Watson was succeeded as president of the system products division by Mr Stephen B. Schwartz, who was formerly assistant group executive, telecommunication products organisation, information systems and communications group.

★

Minneapolis insurance executive Mr Thomas W. Dickie has been named regional vice president of the Minneapolis office of APPLETON AND COX, a division of the SWETT and Crawford Group. He was vice president of Bowes and Company in Bloomington, Minnesota since 1974.

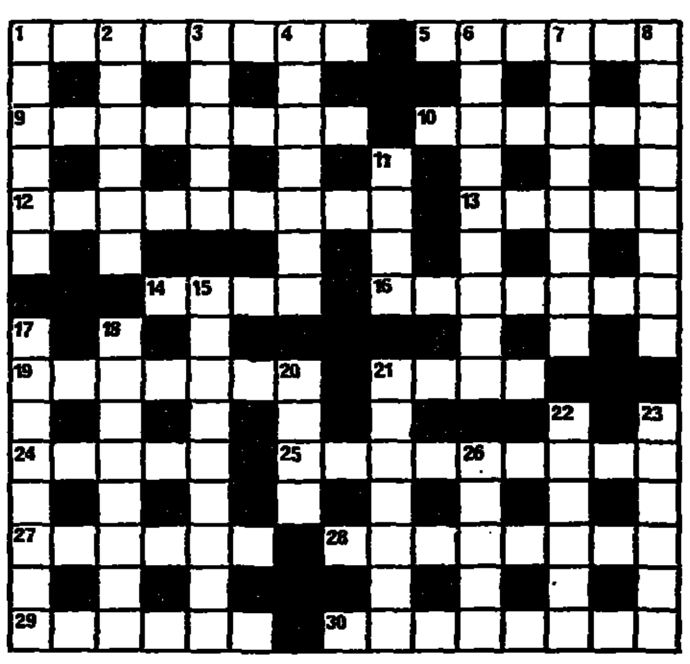
Grants Patch new chairman

GRANTS PATCH MINING, Western Australia, has a new executive chairman, Mr P. A. Harford. He is joined on the board by deputy chairman Mr C. A. M. Tider. Dr L. K. Walker has been appointed managing director.

★

Mr Robert B. Holmes has been elected president and chief operating officer of GREAT WESTERN FINANCIAL CORPORATION and its subsidiary, Great Western Savings. Mr Holmes will also be a director of both companies. He will continue to serve as president of Aristar, Inc, the company's consumer finance and life insurance subsdiary, and as chairman of Greater Western Leasing.

FT CROSSWORD PUZZLE No 5,870



ACROSS

1 Light vehicle's manual (8)
5 Examples of 26 (6)
9 Liar must be reformed to show concern for others (8)
10 Examples of 26 (6)
12 The square from Devonshire Place? (8)
13 Relative sort of broker (5)
14 Race around in this area? (4)
16 Doctor admitted it could be applied to rats! (7)
19 When in consternation head is lost, it's by mistake (2, 5)
21 Part of ship's beam (astern) (4)
24 Animal without tail caught. That's the penalty (5)
25 Criticism of particular river (9)
27 War site by North Sea in conflict (6)
28 Producing problems without a fuse in circuit? (8)
29 Do ends become this when wet? (6)
30 Sees red hairs (8)

DOWN

1 Examples of 26 (6)
2 The unsophisticated swallowing bit of treat—an oyster (6)
3 Examples of 26 (5)
4 Set back about large amount (7)
6 Our upper-class traps conveyed, transported (9)
7 Remedy? Study it at UCH (8)
8 Postpones use up in Southern States (8)
11 Sort of row made by kids? (4)
15 Supporter of 26 (4, 5)
17 Examples of 26 (8)
18 Grasped reel said to need repair (8)
20 The flower came up here (4)
21 Welsh town having sounds like merriment with hesitation (7)
22 Such ground may be established by the Church (6)
23 Gets near to borders (6)
26 Game in which hands are useful (8)

The solution to last Saturday's prize puzzle will be published with names of winners next Saturday.

UK APPOINTMENTS

Managing director at Royal Insurance

On January 1 Mr P. F. Duerden, general manager, ROYAL INSURANCE (UK), is appointed managing director. He succeeds Mr I. L. Rushton, who has been appointed a general manager.

★

Mr Ian Priestley has been appointed managing director of ELLINOR PERIPHERALS, a Sintrom Group company. Since joining the Sintrom Group in 1975, he has held positions in Perex and Sintrom Electronics.

★

MECELEC DEVELOPMENTS has appointed Mr Peter Fairweather a director. He was chief engineer of Elanair before becoming technical director of its sister company Gallay.

★

Mr Roy Simmons has been appointed group managing director of TADDALE INVESTMENTS.

★

Mr Robert J. Angus, having recently retired as a senior executive from National Westminster Bank, has joined HABIB BANK AG ZURICH as a director and adviser.

★

Mr Stuart M. Larnder will be joining the board of ALFRED PREEDY & SONS as finance director on November 25, as successor to Mr Geoffrey Sumner, who retires next year. Mr Larnder was until recently managing director of the McEwan Younger division of Scottish & Newcastle Breweries. Mr Richard Preedy, retail director, will become managing director with responsibility for the total day-to-day operations of the company.

★

S. W. FARMER GROUP has appointed Mr Graham J. Coates to the group board as finance director designate. He was a member of the head office corporate staff of the Plessey Company.

★

Mr Andrew Jowett has been appointed production director of CAPLAN OFFICE FURNITURE, part of the office and contract furniture division of Pentos. He was previously employed as works manager at George A. Moore.

★

MASSTOR SYSTEMS CORPORATION has made the following changes: Mr Richard P. Beck, senior vice president and chief financial officer, has been named executive vice president: Mr Jerry W. Miller, vice president technical development, has been made senior vice president technical development: Mr Michael D. Beadsmoore, vice president of marketing, has become a senior vice president.

★

BARONSMEAD ASSOCIATES has appointed Ms Julia Garratt as company secretary. She joined in July as an associate director with responsibility for internal legal work and the accounting and administration functions.

★

ARROW PLASTICS has appointed Mr Keith Wells as commercial director.

★

Mr Bill Barrell has been appointed director-general of the BRITISH AGRICULTURAL & GARDEN MACHINERY ASSOCIATION (BAGMA) from January 1. He succeeds Mr Jonathan Swift, who is leaving BAGMA at the end of the year to become managing director of the British Hardware Federation. Mr Barrell was general sales manager of Trukspec Marketing.

★

Mr Hans Leukers, senior vice president and general manager, Westdeutsche Landesbank has been elected chairman of the ASSOCIATION OF INTERNATIONAL SAVINGS BANKS in London. Mr Alberto Crippa, general manager, Cassa di Risparmio delle Provincie Lombarde has been elected deputy chairman.

★

HMV SHOPS has promoted Mr Tony Hirsch from marketing manager to the board position of marketing director. Mr Hirsch joined HMV just six months ago from Boase Massimi Pollit, where he was an account director.

★

Mr Brian Pomeroy has joined the board of BL as a non-executive director. Mr Pomeroy is a partner with Touche Ross Management Consultants.

★

Mr Andy Duncan, has been appointed a director of PANNELL KERR FORSTER ASSOCIATES, management consulting arm of Pannell Kerr Forster.

★

Mr David Chipp, who is retiring as editor-in-chief of the Press Association, has been appointed an independent director of THE OBSERVER.

★

Subject to the permission of the Council of The Stock Exchange, Mr Paul Burgess and Mr John Paterson will join the partnership of ALBERT E. SHARP AND CO, stockbrokers on December 9.

★

BREAKMATE EXECUTIVE CATERING (part of the Breakmate Group) has appointed Mr Philip Redfern to the board as operational director for on-site catering units.

★

TILCON, a subsidiary of BTR, has appointed Mr Gerald J. Gallagher as group managing director. He has been an executive director of Tilcon since its formation in 1970. Mr Brian J. Howarth, formerly northern gas director, becomes managing director northern division and joins the Tilcon main board.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

CONTINUED OVERLEAF

AUTHORISED UNIT TRUSTS & INSURANCES

Gynecheimer Fund Mngt Ltd
66 Cannon St, London EC4N 6AE — Dlg. 01-236 3885

Int-national Growth	98.4	104.8	-0.2	2.00
Income & Growth	43.0	45.8	-0.1	3.20
Special Situations	54.6	58.1		1.40
American Growth	26.1	27.8	-0.1	1.10
Japan Growth	34.9	37.1	+0.1	—
European Growth	42.6	45.5	+0.1	3.30
Gilt Growth	41.7	44.6	-0.1	—
Pacific Growth	32.7	34.9	+0.5	1.80
High Income	28.6	30.6	-0.1	7.40
Practical Income Units	41.7	44.5	+0.1	3.1
Practical Accum. Units	78.5	83.8	+0.2	3.1

Pearl Trust Managers Ltd. (a)(g)
252, High Holborn, WC1V 7EB. — 01-405 8441

Pearl Growth Fd.	67.7	72.0	+0.2	3.42
Accum Units	100.0	106.4	+0.2	3.42
Pearl Inc.	95.5	101.6	-0.9	4.92
Pearl Unit Tst	101.0	107.4	-0.5	3.92
(Accum. Units)	170.6	181.5	-0.8	3.92

Perpetual Unit Trust Mngmt. (a)
48, Hart Street, Henley on Thames. — 0491 576868

Growth	264.6	279.4	-0.4	1.48
Income	149.4	158.9	-0.1	5.41
Worldwide Recovery	115.4	123.9	-0.1	2.11
American Growth	54.8	58.8	+0.4	1.07
Intl. Emerging Cos.	60.8	65.3		0.19
Far East Growth Fd.	52.3	56.3	+0.3	1.00

Prolific Unit Trusts
222, Bishopsgate, EC2. — 01-247 7544/7

Prolific Far East	113.9	121.2	-0.7	0.22
Prolific Extra Inc	64.9	70.9		8.57
Prolific Convert & Gilt	84.3	89.4	-0.3	7.02
Prolific High Inc	141.7	150.3	-0.2	5.00
Prolific Intl.	86.9	92.9	+0.2	1.73
Prolific N. Amer	113.8	121.1	+1.2	2.18
Prolific Spec. Sits.	158.3	167.9		1.48
Prolific Technology	95.3	101.4	-0.4	0.77

Providence Capital Fd. Mgrs. Ltd.
30 Uxbridge Road, London, W12 8PG. — 01-749 9111

Japan Inc.	54.1	57.3	+0.1	—
Japan Acc.	54.2	57.4		—
Worldwide Inc.	52.9	56.0	+0.3	2.23
Worldwide Acc.	53.6	56.6	+0.3	2.23

Swiss Life Pen. Tst. Man. Co. Ltd.(a)(c)
99-101 London Rd, Sevenoaks. — 0732 450161

Equity Dis.*	232.9	246.4	—	3.91
Equity Acc.*	276.4	292.4	—	3.91
Fixed Int. Dist.†	120.1	124.4	—	10.87
Fixed Int. Acc.†	169.5	175.8	—	10.87

*Prices on Nov 1. Next dealing Nov 13. †Prices on Nov 6. Next dealing Dec 4.

TSB Unit Trusts (b) (c) (y)
PO Box 3, Keens Hse, Andover, Hants. SP10 1PG.
0264 62188. Dealings to 0264 63432-3

TSB American	93.2	99.2	+0.8	1.32
Do. Accum.	97.1	103.3	+0.9	1.32
TSB Extra Income	89.3	95.0	+0.1	5.96
Do. Accum.	102.7	109.3	+0.1	5.96
TSB General	128.8	137.0	-0.6	3.20
Do. Accum.	208.7	222.0	-0.6	3.20
TSB Gilt & Fxd Int.	46.7	48.7	-0.2	9.13
Do. Accum.	58.6	61.1	-0.2	9.13
TSB Income	178.6	190.1	-0.3	4.69
Do. Accum.	269.4	286.1	-0.5	4.69
TSB Pacific	109.1	116.1	+0.2	0.62
Do. Accum.	111.9	119.1	+0.3	0.62
TSB International	219.8	234.3	+1.6	2.02
Do. Accum.	293.1	311.9	+1.9	2.02
TSB Natural Resources	42.2	44.9	+0.2	2.06
Do. Accum.	43.0	45.8	+0.2	2.06
TSB Speci. Opps.	89.2	93.4	-0.2	2.12
Do. Accum.	91.5	97.0	-0.2	2.12

3i & Target Fund Mgrs Ltd
2 St Mary Axe, London EC3A 8BP — 01-928 3356

Small Cos Fund	66.3	70.5	+0.4	0.10

Target Trust Mngrs. Ltd. (a)(g)
Target Hse, Gatehse. Rd, Aylesbury Bks — (0296) 5941

American Eagle	66.2	70.8	+2.7	0.41
Australia	31.0	33.1	+0.9	0.70
Commodity	79.2	85.2	+0.8	2.73
Energy	37.5	40.1	+0.2	2.55
Equity	109.0	116.3	-0.3	3.19
European Spec. Sits.	64.8	69.3	-0.9	0.64
Extra Income	94.6	101.2	-0.3	7.14
Financial	221.5	236.3		2.31
Gilt Capital	223.2	233.7	1.4	3.25
Gilt Income	101.0	105.8	-0.4	0.46

INSURANCES

INSURANCE, OVERSEAS & MONEY FUNDS

World Fund S.A.
2 Boulevard Royal, Luxembourg
World Fund NAV ..... $32.43 | +0.04 | —

World Wide Growth Management
10a, Boulevard Royal, Luxembourg
Worldwide Gth Fd. ..... $15.70 | | —
Inv. Adv: M. & G. Inv. Mngt, Ltd, London.

Yamaichi Dynamic Mngt Co SA
10A Boulevard Royal, Luxembourg
Advanced Tech ..... $21.63 | +0.02 | —
Dynamic Grwth Fd. ..... $20.44 | +0.18 | —

Money Market Trust Funds

	Gross	Net	Gr Equiv CAR	Int Cr
The Charities Deposit Fund 77 London Wall, London EC2N 1DB			01-588 1815	
Deposit	11.15	—	—	3-Mth
The Money Market Trust 63 Qn Victoria St, EC4N 4ST.			01-236 0952	
Call Fnd	11.98	8.75	12.60	Qtr
7-day Fnd	11.59	8.46	12.23	Mth
Oppenheimer Money Management Ltd 66 Cannon St, EC4N 6AE.			01-236 1425	
Call Fnd.	12.98	8.71	12.22	6-Mth
7-day Fund	11.05	8.26	12.15	6-Mth
Dollar	8.74	—	—	6-Mth

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr
Adam & Co. plc 22 Charlotte Sq. Edinburgh, EH2 4DF			031-225 8431	
Full-Service Chq Acc	11.25	8.06	12.76	Qtr
Aitken Hume 30 City Road, EC1Y 2AY.			01-638 6070	
Treasury Acc	11.00	8.22	12.13	Qtr
Mth. Inc. Chq.	11.000	8.25	12.18	Mth
Allied Arab Bank Ltd 97-101 Cannon St, London, EC4N 5AD			01-283 9111	
WISCA	11.50	8.40	12.78	Qtr
Bank of Scotland 38 Threadneedle St, EC2P 2EH.			01-628 8060	
Money Mkt Cheque Acc.	11.00	8.22	12.16	Qtr
Barclays Prime Account PO Box 125, Northampton			0604 252891	
High Int. Cheque	11.0	8.25	12.58	Qtr

OFFSHORE AND OVERSEAS

OPTIONS

3-month call rates

NOTES

WORLD STOCK MARKETS

Indices

NEW YORK

DOW JONES

	Nov. 8	Nov. 7	Nov. 6	Nov. 5	Nov. 4	1985 High	1985 Low	Since Comp'n High	Since Comp'n Low
♦Industri'ls	1404.56	1399.54	1403.44	1396.87	1389.68	1404.36 (8/11)	1184.96 (4/1)	1404.36 (8/11/85)	41.22 (2/7/32)
Home Bnds	80.52	80.35	80.54	80.56	80.24	80.65 (16/7)	72.27 (20/5)	—	—
Transport..	678.14	675.55	673.92	669.59	664.21	702.6 (17/7)	553.03 (4/1)	702.6 (17/7/85)	12.32 (8/7/32)
Utilities.....	161.93	160.70	160.70	161.01	160.70	168.91 (12/7)	146.54 (4/1)	168.91 (12/7/85)	10.5 (28/4/42)
TradingVol 000†	114,96	118,959	129,488	119,196	104,349	—	—	—	—

♦Day's High 1410.44 (1410.89) Low 1391.06 (1389.91)

Industrial dividend yield %	Nov. 1	Oct. 25	Oct. 18	year ago (approx)
	4.54	4.54	4.50	4.75

STANDARD AND POORS

	Nov. 8	Nov. 7	Nov. 6	Nov. 5	Nov. 4	1985 High	1985 Low	Since Comp'n High	Since Comp'n Low
Industrials.	214.90	213.85	214.03	213.64	212.44	215.83 (18/7)	128.24 (4/1)	215.83 (18/7/85)	3.62 (30/6/32)
Composite	193.72	192.62	192.76	192.37	191.25	195.65 (17/7)	163.68 (4/1)	195.65 (17/7/85)	4.40 (1/6/32)

	Oct. 30	Oct. 23	Oct. 16	year ago (approx)
Industrial div. yield	3.71	3.73	3.75	4.03
Industrial P/E ratio	12.71	12.58	12.64	10.69
Long Gov. Bond yield	10.22	10.35	10.50	11.59

N.Y.S.E. ALL COMMON

Nov. 8	Nov. 7	Nov. 6	Nov. 5	1985 High	1985 Low
111.94	111.38	111.31	111.07	113.49 (17/7)	94.60 (4/1)

Rises and Falls	Nov. 8	Nov. 7	Nov. 6
Issues Traded	2,030	1,996	2,041
Rises	1,117	834	964
Falls	464	732	620
Unchanged	449	430	457
New Highs	—	98	121
New Lows	—	19	22

TORONTO	Nov. 8	Nov. 7	Nov. 6	Nov. 5	1985 High	1985 Low
Metals & Minerals	1859.45	1855.8	1823.8	1795.5	2190.07 (13/2)	1740.82 (31/10)
Composite	2748.3	2754.8	2728.7	2709.5	2819.9 (30/8)	2348.5 (8/1)
MONTREAL Portfolio	133.17	132.14	131.45	130.72	139.35 (19/7)	117.00 (4/1)

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
Fannie Mae	2,317,200	24	+⅞	Texas Intnl.	1,508,000	5⅝	+1⅛
Phillips Pet.	2,051,300	13¾	+⅛	MA-Com Inc.	1,419,400	13⅛	+⅛
Am. Tel. & Tel.	1,892,400	21⅞	+⅛	Columbia Gas	1,385,200	39	+3
Westinghse. El.	1,766,900	43	+⅛	IBM	1,181,300	132⅞	+⅛
Mattel	1,724,400	12⅞	−⅛	Hosp. Cp. Am.	1,078,500	33⅞	+⅛

	Nov. 8	Nov. 7	Nov. 6	Nov. 5	1985 High	1985 Low
AUSTRALIA						
All Ord. (1/1/80)	1012.4	1002.0	1006.2	1014.6	1052.2 (25/10)	775.3 (7/1)
Metals & Minls. (1/1/80)	504.4	501.1	498.4	502.2	585.8 (20/5)	562.5 (7/1)
AUSTRIA						
Credit Aktien (2/1/62)	100.80	98.82	93.43	99.17	105.73 (17/8)	58.21 (24/1)
BELGIUM						
Brussels SE (3/1/80)	2828.06	2820.99	2815.66	2831.48	2853.22 (4/11)	2098.7 (18/1)
DENMARK						
Copenhagen SE (3/1/83)	228.86	229.52	231.01	232.46	237.57 (24/10)	158.44 (8/1)
FRANCE						
CAC General (31/12/82)	227.70	226.6	225.8	224.2	233.1 (31/5)	180.8 (5/1)
Ind Tendance (28/12/84)	130.10	130.5	128.5	127.2	130.5 (7/11)	100.1 (4/1)
GERMANY						
FAZ Aktien (31/12/58)	600.86	597.04	598.10	584.91	600.44 (4/11)	382.39 (3/1)
Commerzbank (1/12/53)	1766.0	1771.6	1769.2	1729.7	1781.4 (4/11)	1111.8 (3/1)
HONG KONG						
Hang Seng Bank (31/7/64)	1722.58	1721.88	1700.76	1692.71	1722.58 (8/11)	1220.74 (2/1)
ITALY						
Banca Comm Ital. (1972)	411.27	414.09	412.78	411.46	414.57 (4/11)	228.56 (2/1)
JAPAN**						
Nikkei (16/5/49)	12851.05	12857.2	12892.4	12820.7	13056.5 (15/10)	11545.2 (5/1)
Tokyo SE New (4/1/68)	1012.83	1016.81	1022.25	1018.38	1057.55 (10/7)	916.85 (4/1)
NETHERLANDS						
ANP.CBS General (1970)	230.7	231.8	233.8	229.0	233.8 (6/11)	185.6 (8/1)
ANP-CBS Indust (1970)	208.6	209.4	210.1	207.2	210.1 (6/11)	147.8 (3/1)
NORWAY						
Oslo SE (4/1/83)	400.65	399.43	395.16	398.60	400.65 (8/11)	288.18 (2/1)
SINGAPORE						
Straits Times (1966)	780.27	781.26	788.68	767.60	852.85 (7/3)	717.90 (16/7)
SOUTH AFRICA						
JSE Gold (28/9/78)	—	1047.6	1088.3	1089.4	1140.8 (15/4)	829.5 (6/8)
JSE Indust (28/9/78)	—	934.28	935.4	950.8	1036.8 (16/7)	767.1 (7/3)
SPAIN						
Madrid SE (28/12/84)	125.80	126.85	125.77	124.42	126.05 (7/11)	101.48 (2/1)
SWEDEN						
Jacobson & P (1/1/58)	1508.06	1505.64	1505.58	1489.15	1508.08 (8/11)	1285.82 (9/7)
SWITZERLAND						
Swiss Bank Cpn (31/12/58)	535.1	526.8	518.1	515.2	535.1 (8/11)	386.7 (3/1)
WORLD						
Capital Intl. (1/1/70)	—	236.5	236.5	234.7	236.5 (6/11)	184.6 (4/1)

** Saturday November 2: Japan Nikkei 12,809.98. TSE 1,018.57.

Base value of all indices are 100 except JSE Gold—255.7, JSE Industrial—264.3, and Australia, All Ordinary and Metals—500. NYSE All Common—50; Standard and Poors—10; and Toronto Composite and Metals—1,000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. u Unavailable.

AUSTRIA

1985 High	1985 Low	Nov. 8	Price Sch	%
391	225	Credit'stalt Pfd.	375	
555	330	Goesser	485	
[illegible]	[illegible]	[illegible]	[illegible]	

BELGIUM/LUXEMBOURG

1985 High	1985 Low	Nov. 8	Price Frs.
[illegible]	[illegible]	[illegible]	[illegible]

DENMARK

1985 High	1985 Low	Nov. 8	Price Kr. %
[illegible]	[illegible]	[illegible]	[illegible]

FRANCE

1985 High	1985 Low	Nov. 8	Price Frs.
[illegible]	[illegible]	[illegible]	[illegible]

SWITZERLAND

1985 High	1985 Low	Nov. 8	Price Frs.
[illegible]	[illegible]	[illegible]	[illegible]

GERMANY

1985 High	1985 Low	Nov. 8	Price Dm
268	100.3	AEG-Telef	246.5
1,855	961	Allianz Vers.	178.5
[illegible]	[illegible]	[illegible]	263.7
[illegible]	[illegible]	[illegible]	256.2
[illegible]	[illegible]	[illegible]	427.5
[illegible]	[illegible]	[illegible]	435
[illegible]	[illegible]	[illegible]	[illegible]

NORWAY

1985 High	1985 Low	Nov. 8	Price Kroner
[illegible]	[illegible]	[illegible]	[illegible]

ITALY

1985 High	1985 Low	Nov. 8	Price Lire
[illegible]	[illegible]	[illegible]	[illegible]

NETHERLANDS

1985 High	1985 Low	Nov. 8	Price Fls
[illegible]	[illegible]	[illegible]	[illegible]

SINGAPORE

1985 High	1985 Low	Nov. 8	Price $
[illegible]	[illegible]	[illegible]	[illegible]

AUSTRALIA

1985 High	1985 Low	Nov. 8	Price Aust. $
5.93	4.33	ANZ Group	5.04
2.25	1.75	Ampol Pet.	2.46
1.22	0.75	Ashton	1.08
3.1	1.88	Aust. Cons. Ind.	3.05
3.4	2.2	Aust. Guarantee.	2.92
3.0	2.28	Aust. Nat. Inds.	2.76
[illegible]	[illegible]	[illegible]	[illegible]

HONG KONG

1985 High	1985 Low	Nov. 8	Price H.K.$
[illegible]	[illegible]	[illegible]	[illegible]

SOUTH AFRICA

1985 High	1985 Low	Nov. 8	Price Rand
[illegible]	[illegible]	[illegible]	2.15
[illegible]	[illegible]	[illegible]	1.30
[illegible]	[illegible]	[illegible]	5.70
[illegible]	[illegible]	[illegible]	2.28
[illegible]	[illegible]	[illegible]	0.94
[illegible]	[illegible]	[illegible]	8.70
[illegible]	[illegible]	[illegible]	2.97
[illegible]	[illegible]	[illegible]	1.38
[illegible]	[illegible]	[illegible]	1.72
[illegible]	[illegible]	[illegible]	6.65
[illegible]	[illegible]	[illegible]	3.02
[illegible]	[illegible]	[illegible]	2.66
[illegible]	[illegible]	[illegible]	3.90

SWEDEN

1985 High	1985 Low	Nov. 8	Price Kroner
[illegible]	[illegible]	[illegible]	[illegible]
410	293	Esselte	380
185	149	Mo Och Domsjo	168
225	162	Pharmacia	192
460	327	Saab Scania Free	460
570	315	Sandvik	570
371	240	Skandia	281
66.5	42	Skan Enskilda	65.5
266	169	SKF	263
180	131	Sonnesson	158x
175	130	Stora Kopparbrg	151
203	140	Sven Handelsbn.	203
271	180	Swedish Match	229
303	211	Volvo B (Free)	261

JAPAN

1985 High	1985 Low	Nov 8	Price Yen
1,555	1,040	Ajinomoto	1,150
755	415	All Nippon Air	615
2,097	1,195	Alps Electric	1,480
1,100	621	Asahi Chem	781
928	769	Asahi Glass	855
975	751	Bank Tokyo	751
[illegible]	[illegible]	[illegible]	[illegible]

SPAIN

1985 High	1985 Low	Nov. 8	Price Pta %
[illegible]	[illegible]	[illegible]	[illegible]
94	70	Hidrola	84.2
109.5	81.2	Iberduero	98.2
185	125.5	Petroleos	140
135.7	94.5	Telefonica	127.5

NOTES—Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

CANADA

TORONTO

Closing prices November 8

Sales	Stock	High	Low	Close	Chng
111888	AMCA Int	$13⅞	13⅝	13¾	
2600	Aberford	$9½	8⅝	8⅞	+¼
560	Abitibi Pr	$17¾	17½	17½	
400	Achlands	$18½	18¼	18¼	−⅜
4050	Agnico E	$19¼	19⅛	19¼	+⅛
4251	Albrta En	$17¾	17½	17½	−⅛
1300	Albrta N	$14⅜	14¼	14⅜	+⅜
150134	Alcan	$35	34½	34¾	
1753	Algoma St	$19	18¾	19	
13910	Asamera	$12¾	12½	12⅝	
33450	Atco I f	$10½	10⅛	10⅜	+⅛
700	Atco II	$10⅜	10¼	10⅜	+⅛
1905	BC Sugar A	$25½	25¼	25¼	
4900	BGR A	$7⅜	7¼	7¼	−⅛
11302	BP Canada	$31¾	31¼	31¼	
7900	Comterm	190	180	180	−10
51720	Con Bath A	$16⅝	16¼	16⅜	+⅛
260	CDistb B f	$6⅛	6⅛	6⅛	−⅛
6400	Cons Gas	$26	25⅝	25⅞	+⅛
1500	Con Glass	$18¼	17⅞	17⅞	−⅜
4850	CTL Bank	$10	9⅞	9⅞	
27900	Conwest B	$7¾	7⅝	7⅝	+⅛
1217	Corby	$41¾	41¼	41¾	+¼
101560	C Falcon C	$13⅞	13¾	13⅞	
2796	Coseka R	265	262	265	
14615	Costain Ltd	$9¾	9⅝	9⅝	
52100	Crownx	$22	21¾	22	+⅜
580584	Crownx A I	$21¾	20¾	21¾	+1
12550	Czar Res	240	234	240	+4
21129	Daon Dev	470	465	470	
6119	Denison A p	$13½	13⅛	13⅛	−¼
7089	Denison B f	$12⅞	12½	12½	−⅜
5500	Develcon	$5⅝	5⅝	5⅝	+⅛
10000	Dickson A f	$6½	6½	6½	+⅛
27318	LL Lac	$32⅝	32⅜	32⅝	
8300	Lacana	$10	9⅞	9⅞	
2200	Laidlaw A	$14½	14⅜	14½	
87100	Laidlw B f	$14¼	13¾	14⅛	+⅛
8500	Leigh Inst	300	295	298	+8
3113	Loblaw Co	$22¼	22	22¼	+⅛
6700	Lumonics	$19⅝	19¼	19⅜	−⅜
1700	MICC	410	405	410	
1534	MSR Ex	340	335	335	−25
24008	Mclan H X	$13½	13¼	13¼	
1330	Mcln HY f	$12⅝	12½	12½	−⅛
2992	Macmilan	$19½	19¼	19½	
101175	Magna A f	$21¾	20⅝	21¾	+1¼
2220	Maritime f	$15½	15¼	15¼	
1400	Mark Spnc	$14⅝	14⅜	14⅜	−⅛
6100	Mass Fer	315	310	310	
225	Mc Intyre	$36½	36½	36½	
4946	Mercantl	$8¾	8⅝	8⅝	−⅛
22280	Merland E	325	320	325	+5
3435	Scotts I	$27⅞	27¼	27¼	+⅛
93285	Seagram	$56⅞	55¾	56⅞	+⅜
3759	Sears Can	$10⅛	10⅛	10¼	
1300	Selkirk A I	$20	20	20	
39034	Shell Can	$24	23½	24	−½
3465	Sherritt	$7⅜	7¼	7¼	−⅛
12000	Southm	$13¾	13⅝	13¾	+⅛
25620	Spar Aero I	$25⅝	25	25⅛	−⅛
200	St Brodcst	$20	20	20	
1000	Steinbg A I	$31⅛	31⅛	31⅛	+⅛
23785	Stelco A	$21⅛	20⅞	21	
500	Sulpiro	191	191	191	−9
5200	Tara Ex	$19¼	17½	18	−¼
6783	Teck B f	$13½	13¼	13½	−¼
15101	Terra Min	315	305	305	−10
32554	Texaco Can	$30⅞	30⅛	30⅞	−½
35150	Thom N A	$22½	22¼	22⅜	−½
111193	Tor Dm Bk	$24¼	23½	24	−¼
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Total Sales 2,878,914 shares

MONTREAL

Closing prices November 8

Sales	Stock	High	Low	Close	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OVER-THE-COUNTER

Nasdaq national market, closing prices, November 8

Continued from Page 37

Stock	Div.	Sales (Hnds)	High	Low	Last	Chng
O O						
Oceaner		1	2⅞	2⅞	2⅞	+⅛
Ocilias		40	11½	11	11½	+½
OgilGp	1.08	x215	40	39½	39¾	−½
OhioCa	2.80	147	71½	71¼	71½	
OldKnt	1	105	30½	30	30¼	
OldRps	.74	110	34⅝	33⅝	34⅝	+⅝
OneBcp	.52	286	28¼	28	28¼	
OnLine		24	6¾	6½	6½	+¼
OpticC		240	12⅝	12⅛	12⅛	−½
OpticR		1101	34	32¼	33½	+1
Orbanc		1	14	14	14	
Orbit		356	6½	6¼	6⅜	
OrtaCp		447	6½	6¼	6¼	−¼
Oshmn	.20	2	14	14	14	+½
OttrTP	2.76	x74	32⅝	32⅛	32¼	−½
OvrExp		20	10½	10½	10½	+⅛
OwnMs	.28	31	14⅛	14	14	−⅜
Oxoco		238	⅝	½	9-16	
P Q						
PNCs	1.32	375	31⅝	31	31⅝	+⅝
Paccar	1.20a	363	42½	40¼	42½	+2¼
PacFst		501	10½	10⅛	10¼	+⅛
PacTel	.80	x24	14⅛	14	14⅛	+½
PacoPh		110	13⅝	13⅜	13⅝	+⅛
PancMx	.13	29	7¼	7¼	7¼	
Panaph		159	22⅝	22⅛	22⅝	+⅜
ParkOh	.60	92	12¼	12	12	
PatntM		177	5¼	5	5⅛	−⅛
PaulHr	1	173	12¼	11¾	11¾	−¼
Paychx		630	18½	17¼	18½	+¾
PeakHC		474	12⅝	12¼	12⅝	+⅜
PegGld	.06	1208	6¾	6¼	6¾	+½
PenaEn	2.20	4	33¾	33¾	33¾	
Pentars	.68	94	26½	26¼	26½	+¼
PeopEx	.05r	174	10⅛	10	10⅛	
Petrite	1.12	63	26¼	25¾	26¼	
Phrmct		176	7⅞	7⅝	7⅞	−⅛
PSFS	.10e	1260	10	9⅞	10	
PhilGl	.50e	2571	17⅞	17⅝	17⅞	+¼
PhnxAm		55	2¼	2¼	2¼	+⅛
PicSav		1785	29½	28½	28⅞	+¾
PicCafe	.80	45	21⅞	21½	21⅞	+⅛
PionHi	.92	228	33½	33¼	33¼	−¼
PionSt	.12	29	8¾	8½	8¾	+⅛
PoFolk		50	10	9⅝	10	+¼
PlcyMg		537	20	19	20	+⅞
Porex		272	23½	23⅛	23½	+⅛
Powell		36	2	1⅞	1⅞	
Powrtcs		7	13	12½	12½	−½
PwConv		275	11	10⅝	10⅞	+⅛
PrecCst	.12	626	31½	31	31¼	+½
PrpdLg		211	9⅛	8⅞	9	−⅛
Prasm		2827	4½	4⅛	4½	+5-16
PricCms		265	9⅝	9⅝	9½	
PriceCo		2105	55⅝	54¾	55½	+4⅛
Prtronx		199	12½	12¼	12½	+¼
ProdOp	.16	38	4⅝	4¼	4⅝	+⅛
ProgCs	.12	1455	40	39½	40	+¼
PropTr	1.20	199	11⅞	11⅝	11⅞	+⅛
Provin		92	19⅛	19¼	19¼	
PurtBn	.40	109	27½	26¾	27½	+½
QMS		443	8½	8	8½	+⅜
Quadrx		518	9⅞	8⅞	9⅞	+⅞
QuakCs	.38	58	12¼	11¼	12¼	+1
Quantm		973	22	21½	22	+¼
QuestM		280	4½	4⅜	4⅜	
Quixote		293	16	15¾	15⅞	
Quotrn		13107	12⅜	11	12⅛	+1
R R						
[illegible]	.01e	233	6¼	6	6¼	+⅛
[illegible]	.82	481	15⅝	15½	15⅝	
[illegible]		100	12¾	12⅝	12⅝	
[illegible]		70	9½	9	9½	+½
[illegible]		57	8¾	8½	8½	−¼
[illegible]		1197	3⅝	3½	3⅝	+¼
Rainrs	1	1002	31¾	31⅛	31¾	+⅝
RayEn	.24	8	19½	19½	19½	
RediCr		23	2	1⅞	1⅞	
Readng		18	20½	20¼	20¼	
Recotn		18	9	8⅞	9	+⅛
RedknL	.64	53	29½	29	29½	
Reeves		132	10⅞	10½	10⅞	+⅛
RgcyEl	.20	x1850	6¼	6	6¼	+⅛
Regas	.12	37	15¾	15¼	15¼	−½
Rehab		86	4½	4¼	4½	+⅛
RpAuto	.16	95	8⅝	7⅞	8⅝	+½
RpHlth		209	10¼	10⅛	10¼	+⅛
RestrSy		9	18⅛	17⅝	18⅛	+½
Reuterl	.15e	26	7½	7¼	7¼	−⅛
ReutrH	.26e	526	30⅛	29¾	29⅞	−⅛
RayRey	1.24	33	43½	43	43½	+½
Rhodes	.32	14	17	16⅞	16⅞	−⅛
Ribilms		246	6⅝	6½	6⅝	+⅛
Rival	.80	55	16⅝	16½	16⅝	
RoadSv	1	237	29¼	29	29¼	+¼
RobNug	.06	15	12¾	12¾	12¾	
RobVsn		101	8⅝	8⅜	8⅜	−¼
Rouses	.54	251	27	26½	27	+¼
RoyPlm		539	11¾	10½	11¼	+¾
RoylRs		8	4	3⅝	4	
RustPel		9	11¾	11⅜	11¾	+⅜
RyanFs		2898	23	21¼	23	+1
S S						
SAYInd		28	10⅞	10⅝	10⅞	+¼
SCI Sy		1590	13⅝	12¾	13⅝	+⅞
SEI		719	20¼	20	20¼	+¼
SFE	.10r	188	6⅞	6¼	6⅝	
SRI	.80	x41	18⅞	18⅝	18⅞	+⅜
Safecrd	.20b	1316	19⅝	19⅛	19½	+⅛
Safeco	1.60	388	45⅞	45¼	45⅝	+⅜
SafHlts		20	12¼	12	12	−¼
StJude		137	17½	17¼	17½	+½
StPaul	3	387	78⅝	77¾	78¼	+1¼
SalCpt		72	5⅞	5¾	5⅞	+1-16
SanBar		14	5½	5½	5½	
SatelSy	.12	7	6	6	6	−½
SavnFs		73	31½	30½	30¾	−¼
SBkPSs	.44	212	20½	20	20½	+½
ScanOp		308	8¾	8½	8⅝	+⅛
ScanTr		73	16¼	15½	15¾	−¼
Scherer	.32	41	12⅝	12⅜	12⅝	+⅛
SchlmA	.40b	5	25½	25¼	25¼	+¼
SciMic		113	4¼	4	4⅛	
Scitex		89	10	9½	10	+¼
SeaGal		416	4½	4⅛	4⅜	+⅛
Seagate		1607	5½	5¼	5½	+¼
SecTag		837	1⅞	1⅝	1¾	
SEEQ		948	1¾	1⅝	1⅝	−⅛
Selbel	.80	407	22½	22	22	−¼
Semicn		6	6⅛	6	6	
Sensor	.05	7411	8⅛	7⅜	8	+¼
SvcMer	.08	1350	13⅝	13	13¼	−¼
Svmsts	.80	1427	20	19¼	19¾	+¼
Servico	t	335	24¾	22	24¾	+3
SvcFrct		3	4½	4½	4½	
SevOak	.16	198	17½	17⅜	17⅜	
ShrMed	.48	1229	33⅞	33⅜	33⅜	−⅜
Shwmt	1.68	198	38⅝	38⅛	38¼	−⅛
Shelbys	.16	24	19½	19⅛	19½	+⅛
Shldls		41	9⅝	9½	9⅝	+¼
Shoneys	.15	341	26⅛	25¾	26⅛	+¼
ShonSos		15	10⅝	10⅜	10⅜	
Silicon		1836	4¼	3¾	4¼	+¼
SiliconS		6	10⅞	10⅞	10⅞	−⅛
SilicVal		120	15	14½	15	+½
Silicnx		81	19	18¾	18¾	−⅛
Sltec		129	4½	4⅛	4⅛	−⅜
Simpin	.80	28	14¾	14⅝	14¾	+⅜
Sippins		60	11	10½	11	
Sizzlers		228	15½	15	15¼	
Skipper	.08	129	11⅞	11⅝	11⅞	+⅛
SmithL		482	2⅝	2¼	2½	−⅛
Society	1.84	2	49¾	49¾	49¾	+¾
SoctySv		496	23½	23	23⅜	+⅜
Softech		25	9	8¾	8¾	−¼
SoftwA		48	14½	14⅜	14⅜	
SonocPs	.68a	x182	29½	29	29⅜	+¼
SonrFd	.45a	48	17	16¼	17	+¾
SoHosp		469	4⅜	4¼	4⅜	+¼
SthdFn	.52	6	24	23¾	24	
Soutrst	.60	142	18⅛	17¾	18⅛	+⅛
Sovrgn	.10	750	7½	7⅜	7⅜	
Sovrans	1.28	836	26⅞	26½	26⅝	
Speedy		99	18½	18¼	18⅜	−⅛
Spctran		208	22⅞	22	22⅞	+⅛
SpecCtl	.07	119	8	7¾	7¾	
Spire		36	14⅝	14½	14⅝	
StarSur		595	9	8⅝	9	+½
StafBld	.20	35	7¾	7⅝	7⅝	
Standy	1	50	28½	28	28½	
StdMic		1468	13¾	13⅛	13¾	+⅞
Stanhom	1.20	2	24½	24½	24½	+½
StaStBs	.80	277	35¼	35	35¼	+¼
StateG	.15b	95	4⅜	4⅛	4¼	
Steiger		84	4⅞	4⅝	4⅞	+⅛
StewSlv		129	14½	14¼	14¼	
Stwtnl	.72	23	24	23¼	24	+¾
Stifel		2	6½	6½	6½	
Stratus		1266	20¼	19¾	20¼	+¼
StrwCls	.76	25	37	36¾	37	+½
Strykrs		59	23⅛	22¾	23	
Subaru	2.28	107	167½	166½	166½	
SubrB	1.92	89	72½	71¾	71¾	−¼
Summa		443	2¾	2⅝	2¾	+1-16
SumtHl	.10	298	9	8¾	8⅞	
SunCst		212	1⅜	1 5-16	1⅜	
SunMed		5	8¾	8¾	8¾	
SupSky		1	8½	8½	8½	
Suprtex		49	3½	3½	3½	
SymbT		84	9⅛	8⅞	9⅛	+¼
Syntech		235	10	9⅝	10	+¼
Syntrex		92	4	3⅝	4	+⅛
Syscon	.30	x10	19	18½	18½	−⅛
SyAsoc		428	9¼	8¾	8¾	−¼
Systin		72	6½	6⅜	6⅜	
Systnsg		9	10¼	10¼	10¼	−⅛
Systmt	.08	99	25½	25¼	25¼	
T T						
TBC		6	9½	9½	9½	−⅛
TCA Cb	.16	82	26	25½	25½	−¾
TacViva		117	3½	3⅜	3⅜	−⅛
Tandem		14357	19	18	18⅞	+⅞
Tandon		894	3½	3¼	3⅜	−⅛
Telco		547	10	9½	10	
TlcmA	t	2472	33⅝	32¾	33⅛	+⅜
TelPlus		487	8½	8⅜	8½	
Telecrd	.32	x202	25¼	24½	25¼	+½
Telpcts		1271	18⅞	16½	16½	−¼
Telvid		609	3	2¾	3	+⅛
Telabs		347	10⅛	10	10⅛	+⅛
Telxons		1037	18	17	17⅛	−⅜
TermDt	t	204	3⅞	3¾	3¾	−⅛
TherPr		85	8¾	8⅛	8⅛	−⅜
Thrmds		8	9¾	9¾	9¾	
ThrdNs	.64	134	26⅜	26¼	26⅜	−⅛
Thortec		223	7¾	7½	7⅝	+⅛
ThouTr		1117	7½	6¾	7½	+½
TimeEn		320	6¾	6⅝	6⅝	
TmeFib		51	12⅞	12½	12⅞	+½
Tiprary		3885	5-16	5-16	5-16	
TotlSys		270	26½	25½	26½	+¾
TrakAu		11	11¾	11¼	11¼	−½
TriadSy		331	9½	9	9⅜	+½
TrusJo	.40	5	25¼	24¾	25¼	−⅛
U U						
USLICs	.80	53	25⅝	25¼	25⅝	+¼
UTL		583	16½	16¼	16¼	
Ultrsy	.05e	209	8¾	8½	8½	−¼
Ungrmn		620	13⅛	12⅞	13⅛	+¼
Unifi		118	13	12¾	12⅞	+⅛
UnPlntr	1.05t	371	27¼	26¾	26¾	−½
UnTBcs	1.50	17	53¼	53¼	53¼	+¼
UACms	.06	1106	23½	22¾	23½	−¼
UBAlsk	.15r	632	10	9¾	10	+⅛
UBCol	1.08	146	26⅞	26	26⅞	−⅛
UFnGrp		100	6⅜	6⅜	6¼	+⅛
UFstFd	.05e	40	17	16¼	16¼	−¼
UGrdn	1.64t	254	7	6¼	7	+½
US Ant		45	4½	4¼	4 5-16	+1-16
US Bcp		1348	28⅛	27⅝	28	+⅜
US Cap		409	4⅜	4	4	−⅛
USDsgn		35	3⅛	3	3	−⅛
US HCs	.08	2014	31	29¼	30¾	+1½
USShelt	.12	101	4⅝	4⅜	4⅝	+¼
US Sur	.30e	269	19⅝	19⅜	19⅝	+¼
US Trs	1.20	525	37¾	36¾	37¾	+¾
UStatn	.20	1056	22	21¼	21½	
UnTelev		142	24⅞	24⅝	24¾	+⅛
UVaBs	1.64	172	45⅜	44½	44⅝	−⅝
UnvFrn		275	19	18¼	18½	+¼
UnvHlt		1037	12⅞	12½	12⅞	+⅜
UFSBk	.07e	52	10¾	10⅝	10½	+¼
Uscat	.28	32	5	4¾	5	
V V						
VLI		1158	6⅛	5¾	6	+¼
VLSI		364	12⅛	12	12	
VMX		105	4½	4⅜	4⅜	−⅛
VSE	.16e	37	10	9¾	9⅞	
ValidLg		1200	7⅜	6⅞	7⅜	+⅜
ValFSL		123	17	16⅞	17	+⅛
ValNtl	1.20	764	36⅝	36¼	36½	
ValLn	.40	1263	20¼	19¾	20	
VanDus	.40	417	19⅝	19⅛	19⅛	−½
Vanzeti		37	4½	4¼	4½	−¼
Ventrex		1435	5½	4⅞	5½	+⅝
Vicorp	.09e	570	18¼	18¼	18½	
ViedeFr	.11e	164	7	6⅞	7	−⅛
Viking		236	14	13½	14	+¼
Viratek		144	20½	20	20½	+¼
Vodavi		768	7⅛	6⅞	6⅞	−¼
Voltlnf		61	19¼	19¼	19¼	+½
W W						
WD 40	.96	56	19¼	19	19¼	+⅛
WalbCs	.24	198	13½	13¼	13¼	
WlkrTel		89	10	9¾	9¾	−¼
WshE	1.76	79	22⅞	22½	22¾	+¼
WFSLs	.60	161	28⅞	28⅜	28¾	+⅛
WMSB		468	14⅞	14½	14¾	
Wavetk		65	7⅛	6⅞	6⅞	−⅛
Webb	.40	36	12	11¾	12	+⅛
WestFn		15	16¾	16¾	16¾	
WstFSL		4	14¼	14¼	14¼	
WMicTc		107	7¾	7¼	7¾	+¼
WmrAs		1415	14⅛	13⅞	13⅞	−⅛
WmorC	.40	242	19¼	18¼	19¼	+½
WstwCs		571	10¾	10¼	10¾	+¼
Wettra	.98	253	35	34⅝	34⅝	−⅛
Wicat		3312	4⅛	3½	4	+1-16
Widcom		200	4½	4¼	4¼	−¼
Willmt	1.65	343	43¼	42¾	43	+⅛
WillAL		268	13⅛	13	13	−⅛
WmsSn		1	18½	18½	18½	+½
WilsnF		97	5½	5¼	5½	−⅛
Windmr	.03j	302	4⅝	4½	4⅝	
WiserO	.60	55	16⅝	16⅛	16⅛	−¼
Woodhd	.60	30	13¼	13	13⅛	+⅛
Worthgs		265	18½	18¼	18½	+⅜
Writer	.15e	17	9	8½	9	+⅜
Wyman	.80	23	21¾	21½	21¾	+¼
X Y Z						
Xebec		195	2 9-16	2½	2 9-16	+1-16
Xicor		216	6¾	6⅝	6½	−⅛
Xidex		2715	12⅞	12½	12⅞	+¼
YlowFs	.54	638	24⅞	23¾	24	+¼
ZenLbs	.10t	2870	27	26¼	26¾	+½
Ziegler	.48a	34	12½	12¼	12½	+¼
ZionUt	1.36	23	40¼	40	40	−¼
Zitel		10	2⅝	2⅜	2⅜	+⅛
Ziyad		190	6½	5⅞	6½	+⅜
Zondvn	.08j	313	12	11¼	12	+¾
Zymos		60	2 7-16	2 5-16	2 5-16	

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

Closing prices, November 8

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
24⅝	16	AAR	.56	2.4	15	43	23½	23	23¼	
17⅜	9¾	AGS			13	132	17	16⅝	17	+¼
14	9⅞	AMCA				14	10	10	10	
50¾	29¾	AMR			7	3387	41⅞	41¼	41¾	+¼
23¾	18⅝	AMR pf2.18		9.3		6	23½	23½	23½	
25⅞	23	ANR pf2.67		11.		5	24¼	24¼	24¼	+¼
22	19	ANR pf2.12		11.		4	20	20	20	−¼
13¾	7⅞	APL				112	10	9⅞	9⅞	
61⅛	32¾	ASA	2a	5.6		408	35⅝	34⅝	35½	+⅞
27	10½	AVX	.32	2.9		169	11⅛	10⅞	10⅞	−⅛
28⅛	19¼	AZP	2.72	11	7	813	25⅛	24¾	25⅛	+⅛
60⅝	38⅝	AbtLab 1.40		2.3	16	1022	59⅞	59⅝	59⅝	−¼
25⅞	19⅝	AccoWd .50		2.2	17	89	22⅞	22¾	22⅞	+¼
24¾	10⅞	AcmeC .40		3.9		313	11	d10	10¼	−¾
10½	7	AcmeE .32b		4.5	11	10	7⅛	7	7⅛	
19	15½	AdaEx 1.92e		11.		63	17⅞	17⅝	17¾	
20	13½	AdmMl .40		2.1	8	137	19¾	19⅜	19⅝	−⅜
14⅞	8⅝	AdvSys .53t		3.8	20	73	14¼	14	14	−¼
38⅝	22⅛	AMD			36	1979	24¾	24⅛	24½	−⅛
11⅛	10¾	Adobe n				440	10⅞	10¾	10¾	
15⅛	14⅝	Adob pfA				333	15	14¾	15	+⅛
16⅝	15¼	Adob pfB				338	16⅝	16¼	16⅝	
12⅞	6⅞	Advest .12		1.2	15	773	10⅝	9⅞	10⅝	+⅝
14¼	9	Aeflex			14	81	u14½	14	14½	+⅜
53	34⅝	AetnLf 2.64		5.2	17	3967	51⅜	49⅞	51⅛	+⅝
57½	53¼	AetL pf5.41e		9.6		6	56⅛	56⅛	56⅛	
38⅝	27⅞	Ahmns 1.20		3.2	6	2660	37¾	37¼	37¾	+¾
3⅝	2½	Aileen				57	2⅝	2⅝	2¾	
57	44½	AirPrd 1.48		2.7	12	1365	55¼	54⅞	55	+⅛
24⅝	17½	AirbFrt .60		3.0	11	x128	20⅛	19⅞	20	+¼
2⅜	1¼	AlMoa .10e		5.7		91	1⅞	1¾	1¾	
29¼	23⅝	AlaP pf2.63e		9.3		406	28⅝	28⅜	28⅜	−⅛
33⅝	29¼	AlaP pfA3.92		12.		11	31⅝	31¼	31½	−¼

Continued on Page 37

NYSE COMPOSITE CLOSING PRICES

Continued from Page 36

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls. 100s	High	Low	Close Quote	Ch'ge Prev. Close
10	5/8	PacGasO5e		.5	10	60	9 1/8	8 1/2	8 7/8	
19 3/4	13 1/2	PacRs pf 2		11.		14	19	18 3/4	18 7/8	+3/8
17 1/2	12 5/8	PacSci .40		2.8	13	68	14 1/2	14 1/4	14 3/8	
82 3/4	65	PacTel 5.72		7.4	9	2329	77	75 3/4	76 7/8	+1/2
15	9 1/4	PacTin .40		3.2	7	2	12 3/8	12 3/8	12 3/8	+1 1/8
31 1/8	24 3/8	PacEnt 2.40		8.3	8	849	28 7/8	28 1/2	28 7/8	
36	30 7/8	Pacif pf4.07		12.		2	33 7/8	33 7/8	33 7/8	+1/4
43 1/8	25 1/4	PainWb .60		2.0	18	587	30 3/8	29	29 7/8	-1/8
34 1/8	25 7/8	PainW pf2.25		7.9		89	28 1/2	28 1/4	28 7/8	+7/8
39	32 7/8	PalmBc1.20		3.3	61	65	36 1/4	35	36 1/2	+3/8
40 1/2	20 1/4	PanABs.70		1.8	9	35	39 7/8	38 5/8	38 7/8	+1/8
8 3/4	4	PanAm				6335	8 5/8	8 3/8	8 1/2	+1/4
4	1 3/4	PanA wt				209	3 1/8	3	3	
21	13 3/8	Papdcin.20		1.3	17	135	16	15 3/4	16	
41 1/2	32 3/8	PanhEC2.30		6.3	12	269	36 3/4	36 3/8	36 5/8	+1/8
8 1/4	3 1/2	PantPr				1860	7 5/8	7 1/4	7 1/4	+1/2
18 1/8	6 1/2	Pardyn				824	7 1/8	6 7/8	7	-3/8
17 3/8	11 1/2	ParkEl .03e		.2	12	21	13 7/8	13 3/4	13 3/4	+1/8
7 1/2	4	ParkDrl.08		1.8		3173	4 5/8	4 3/8	4 1/2	
39 1/2	28 1/4	ParkH 1.12		3.4	11	533	32 7/8	32 1/8	32 7/8	+3/8
23 5/8	14 5/8	ParkPn.52		2.3	33	567	23 1/8	23	23	+7/8
5	3	PatPtr s			2	100	4 1/4	4 1/8	4 1/4	
15 7/8	11 1/2	PayNP .64		5.3	13	68	12	11 7/8	12	+1/8
23 5/8	13 3/8	PayCsh .16		1.1	14	1434	15 1/4	14 3/4	15	
1 3/8	5-16	Pengo				345	1/2	7-16	1/2	+1-16
58 5/8	44 5/8	PenCen			14	272	52 1/8	51 7/8	51 7/8	
54 3/8	44 3/8	Penney2.36		4.8	9	612	49 1/2	48 3/4	49 1/8	+1/8
27 7/8	23 1/2	PaPL 2.56		9.7	9	2374	26 3/8	25 7/8	26 1/8	+3/8
40 3/4	32	PaPL pf4.40		12.		z150	38	37	38	
78 1/4	61 3/4	PaPL pf8.60		12.		z120	72 5/8	72 1/4	72 1/4	-3/4

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12 Month High	Low	Stock	Div.	Yld.	P/E	Sls. 100s	High	Low	Close Quote	Ch'ge Prev. Close
		WrldAr				347	5 1/8	4 3/4	4 7/8	-3/8
87 3/4	54 1/8	Wrigly 1.80a		2.0	15	x87	u88 1/2	87 1/2	88 1/2	+1 1/4
4 3/4	2 7/8	Wurltzr				60	3 5/8	3 1/4	3 5/8	+1/4
16	10 3/8	WyleLb .32		2.8	26	39	11 5/8	11 1/4	11 1/4	-1/8
23 3/8	15 1/2	Wynns .60		3.7	12	55	16 1/8	15 5/8	16 1/8	+3/8
		X Y Z								
55 1/2	35 3/4	Xerox 3		5.5	18	3801	54 5/8	54	54 3/8	-1/8
55 3/4	48 1/8	Xerox pf5.45		9.8		3585	55 3/4	55 1/8	55 3/4	+1/2
30 1/4	24 3/8	ZaleCp 1.32		4.5	13	49	29 1/4	28 3/4	29 1/4	+3/4
18	7 1/4	Zapata .12		1.4	63	543	8 3/4	8 5/8	8 3/4	-1/8
59	32 7/8	Zayre s .48		.8	18	930	u59 3/4	59 1/8	59 1/2	+3/4
25	16 1/4	ZenithE			889	1078	17 7/8	17 1/2	17 3/4	+1/4
21 7/8	15 3/4	Zero s .32		1.6	17	x49	19 7/8	19 3/4	19 3/4	
41 1/2	23 5/8	Zumin 1.32		3.4	15	249	39 1/4	38 3/4	39 1/8	+1/8

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begins with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

Closing prices November 8

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OVER-THE-COUNTER

Nasdaq national market, closing prices, November 8

[illegible]

Continued on Page 35

CURRENCIES, MONEY and CAPITAL MARKETS

A failure in communication

BY COLIN MILLHAM

Government and other high ranking officials are not always good at getting a clear meaning across to financial markets. Last week Mr Paul Volcker and Mr Stephen Axilrod, of the US Federal Reserve, confused the markets about the direction of interest rates, while Mr Noboru Takeshita, the Japanese finance minister, created the impression that he does not wish to see a lower dollar by talking about stability at present levels.

This led to buying of the dollar, as dealers covered short positions taken out in expectation of a further weakening of the US currency. Confusion was created as various officials and senior bankers appeared to be having second thoughts on the benefits of a weaker dollar.

Mr Mieczyslaw Karczmar, chief economist of the European American Bank, gave evidence before the US House of Representatives banking committee, and said that the recent Group of Five agreement to weaken the dollar was a mistake, and would lead to higher inflation. The presumed goal of significantly reducing the US trade deficit would not be met, because countries such as Japan and Germany were not prepared to take sufficient measures to stimulate strong economic growth.

He said the US would continue to need substantial capital inflows in years ahead to finance the trade deficit, and should encourage a strong dollar.

At about the same time Mr Axilrod, an official of the Federal Reserve, said to the committee that a fall in the dollar could jeopardise progress made against inflation and raise questions about interest rates.

Earlier in the week Mr Volcker, Fed chairman, was rather ambiguous when talking about money supply and interest rates, but left the impression that there might have been a slight tightening of monetary policy.

All these comments came at a time when there was little else to stimulate the market. No major US economic statistics were released, but figures on October car sales pointed to disappointing retail sales statistics this Thursday. An end to low rate car finance schemes in early October led to a sharp fall in sales of 14.1 per cent, and it has been forecast that retail sales for the month will be down by 2 per cent to 3.5 per cent.

Third quarter US Gross National Product growth is also expected to be revised down from last month's estimate of 3.3 per cent, on November 21.

Depressing economic expectations renewed speculation about a cut in the Fed's discount rate, as the high level of the Federal funds rate in New York was regarded as technical, and largely ignored.

The remarks by officials in Washington and Tokyo then caused confusion, leading to short covering and costing the Bank of Japan and German Bundesbank something in dollar reserves, through intervention on Friday.

The present picture seems to indicate that the central banks are happy to see the dollar in a range of DM 2.60-2.65 against the D-mark and Y200-210 in terms of the yen. It remains to be seen whether the forthcoming US data and the Fed's attitude towards interest rates makes any difference to this view.

£ IN NEW YORK

	Nov. 8	Prev. close
£ Spot	$1.4210-4220	$1.4100-4115
1 month	0.40-0.39 pm	0.41-0.40 pm
3 months	1.20-1.17 pm	1.25-1.22 pm
12 months	3.78-3.66 pm	3.95-3.85 pm

Forward premiums and discounts apply to the U.S. dollar

CURRENCY MOVEMENTS

Nov. 8	Bank of England Index	Morgan Guaranty Change %
Sterling	79.5	−11.0
U.S. dollar	129.6	+17.8
Canadian dollar	83.2	−9.6
Austrian schilling	118.2	+5.0
Belgian franc	92.0	−9.6
Danish Kroner	81.7	−3.6
Deutsche mark	127.7	+9.9
Swiss franc	150.6	+13.2
Guilder	118.1	+5.5
French franc	68.6	−12.5
Lire	44.6	−19.8
Yen	177.4	+29.0

Morgan Guaranty changes: average 1980-1982=100. Bank of England index (base average 1975=100).

OTHER CURRENCIES

Nov. 8	£	$
Arg'tina	1.1336-1.1359	0.8000-0.8010
Aus'alia	2.1000-2.1040	1.4820-1.4840
Brazil	12,334-12,400	8,705-8,7456
Finland	7.9645-7.9870	5.6330-5.635
Greece	216.15-220.82	152.75-155.94
H'kong	11.0600-11.0700	7.8050-7.8080
Iran	122.60*	85.60*
Kuwait	0.4156-0.4165	0.29340-0.29390
Lux'burg	75.05-75.15	52.95-53.05
Malay'sia	3.4430-3.4670	2.4300-2.4375
N'Z'land	2.4200-2.4500	1.7080-1.7140
Saudi Ar.	5.1702-5.1753	3.6500-3.6510
Sin'pore	2.9990-3.0050	2.1165-2.1185
S.Af.(Cm)	3.7290-3.8290	2.6315-2.7085
S.Af. (Fn)	4.8856-5.0610	3.4486-3.5715
U.A.E.	5.2006-5.2064	3.6716-3.6730

* Selling rate.

CURRENCY RATES

Nov. 8	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.758199	0.594342
U.S.$	7½	1.07361	0.841291
Canadian $	8.84	*	1.16056
Austria Sch.	4	19.8124	1.24258
Belgian Fr.	9	56.9738	44.6473
Danish Kr.	7	10.1939	7.98638
D mark	4	2.81715	2.20671
Guilder	5	3.17305	2.48750
French Fr.	9½	8.58351	6.72644
Lira	15¼	1897.98	1488.07
Yen	5	220.948	173.182
Norway Kr.	8	8.47347	6.65358
Span'h Pta.	—	172.961	135.406
Swedish Kr.	10½	N/A	6.62306
Swiss Fr.	4	2.31256	1.81466
Greek Dr'ch	20½	165.696	129.702
Irish Punt	—	0.910997	0.713865

* C$/SDR rate for November 7: 1.48520.

EXCHANGE CROSS RATES

Nov. 8	£	$	DM	YEN	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1.	1.417	3.715	291.3	11.32	3.055	4.188	2508.	1.951	75.10
$	0.706	1.	2.622	205.5	7.985	2.155	2.956	1770.	1.377	53.00
DM	0.269	0.381	1.	78.40	3.046	0.822	1.127	675.0	0.525	20.22
YEN	3.433	4.865	12.76	1000.	38.85	10.49	14.38	8609.	6.699	257.9
F Fr.	0.884	1.252	3.283	257.4	10.	2.700	3.701	2216.	1.724	66.37
S Fr.	0.327	0.464	1.216	95.34	3.704	1.	1.371	820.8	0.639	24.58
H Fl.	0.239	0.338	0.887	69.55	2.702	0.730	1.	598.8	0.466	17.93
Lira	0.399	0.565	1.482	116.2	4.512	1.218	1.670	1000.	0.778	29.95
C $	0.513	0.726	1.904	149.3	5.799	1.566	2.146	1285.	1.	38.49
B Fr.	1.332	1.887	4.947	387.8	15.07	4.068	5.576	3339.	2.598	100.

Yen per 1,000: French Fr per 10: Lira per 1,000: Belg Fr per 100.

FORWARD RATES AGAINST STERLING

	Spot	1-month	3-month	6-month	12-month
Dollar	1.4170	1.4131	1.4050	1.3944	1.3788
D-Mark	3.7150	3.6937	3.6527	3.5961	3.5027
French Franc	11.3150	11.2928	11.2594	11.2101	11.2650
Swiss Franc	3.0550	3.0345	2.9985	2.9488	2.8809
Japanese Yen	291.25	290.42	288.67	285.73	280.70

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu November 8	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	44.8320	44.6473	−0.41	+0.57	±1.5425
Danish Krone	8.12857	7.98638	−1.75	−0.77	±1.6421
German D-mark	2.23840	2.20671	−1.42	−0.44	±1.1455
French Franc	6.86402	6.72654	−2.00	−1.02	±1.3654
Dutch Guilder	2.52208	2.48770	−1.36	−0.38	±1.5162
Irish Punt	0.724578	0.713865	−1.48	−0.50	±1.6673
Italian Lira	1520.60	1488.24	−2.13	−1.89	±4.0856

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

FINANCIAL FUTURES

POUND—$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.4170	1.4131	1.4050	1.3944	1.3786

IMM—STERLING Se per £

	Close	High	Low	Prev
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]

LIFFE—STERLING £25,000 $ per £

	Close	High	Low	Prev
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	—	—	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]

Est volume [illegible]
Previous day's open int [illegible]

LIFFE—DEUTSCHE MARKS DM 125,000 $ per DM

	Close	High	Low	Prev
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	—	—	[illegible]
June	[illegible]	—	—	[illegible]

Est volume [illegible]
Previous day's open int [illegible]

CHICAGO

US TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

	Close	High	Low	Prev
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	—	—	[illegible]
Mar	[illegible]	—	—	[illegible]

US TREASURY BILLS (IMM) $1m points of 100%

	Close	High	Low	Prev
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]

CERT. DEPOSIT (IMM) $1m points of 100%

	Close	High	Low	Prev
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

	Close	High	Low	Prev
Dec	92.14	92.15	92.02	92.11
Mar	91.98	91.99	91.84	91.82
Jun	91.68	91.69	91.56	91.51
Sep	91.34	91.35	91.23	91.17
Dec	91.01	91.02	90.87	90.83
Mar	90.68	90.68	90.55	90.50
Jun	90.38	90.38	90.25	90.20
Sep	90.10	90.10	89.96	89.92

LIFFE—EURODOLLAR OPTIONS $1m points of 100%

Strike price	Calls—Last Dec	March	June	Vol	Puts—Last Dec	March	June	Vol
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Previous day's open int: Calls 2,236 Puts 3,383

LIFFE £/$ OPTIONS £25,000 (cents per £1)

Strike price	Calls—Last Dec	March	June	Vol	Puts—Last Dec	March	June	Vol
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Previous day's open int: [illegible]

LONDON SE £/$ OPTIONS £12,500 (cents per £1)

Strike price	Calls—Last Dec	March	June	Vol	Puts—Last Dec	March	June	Vol
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

PHILADELPHIA SE £/$ OPTIONS £12,500 (cents per £1)

Strike price	Calls—Last Dec	March	June	Vol	Puts—Last Dec	March	June	Vol
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON

20-YEAR 12% NOTIONAL GILT £50,000 32nds of 100%

	Close	High	Low	Prev
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	—	—	[illegible]
Dec	[illegible]	—	—	[illegible]

Estimated volume [illegible]
Previous day's open int [illegible]

10% NOTIONAL SHORT GILT £100,000 64ths of 100%

	Close	High	Low	Prev
Dec	97-38	97-41	97-35	97-41
March	97-52	—	—	97-54

Estimated volume 434 (765)
Previous day's open int 1,651 (1,723)

FT-SE 100 INDEX £25 per full index point

	Close	High	Low	Prev
Dec	139.30	139.40	138.25	139.00
March	141.20	140.65	140.65	140.90

Estimated volume 252 (376)
Previous day's open int 2,037 (1,967)

THREE-MONTH STERLING £500,000 points of 100%

	Close	High	Low	Prev
Dec	[illegible]	[illegible]	[illegible]	88.48
March	[illegible]	[illegible]	[illegible]	88.96
June	[illegible]	[illegible]	[illegible]	89.30
Sept	[illegible]	[illegible]	[illegible]	89.36
Dec	[illegible]	[illegible]	[illegible]	89.33

Estimated volume [illegible]
Previous day's open int [illegible]

THREE-MONTH EURODOLLAR $1m points of 100%

	Close	High	Low	Prev
Dec	[illegible]	[illegible]	[illegible]	91.97
March	[illegible]	[illegible]	[illegible]	91.80
June	[illegible]	[illegible]	[illegible]	91.52
Sept	[illegible]	[illegible]	[illegible]	91.20
Dec	[illegible]	[illegible]	[illegible]	90.86

Estimated volume 3,538 (7,828)
Previous day's open int 21,088 (21,037)

US TREASURY BONDS 8% $100,000 32nds of 100%

	Close	High	Low	Prev
Dec	78-16	78-17	78-04	78-28
March	78-08	78-05	78-02	77-19
June	77-02	—	—	76-15

Estimated volume 1,924 (7,761)
Previous day's open int 3,657 (4,088)

DOLLAR SPOT — FORWARD AGAINST DOLLAR

Nov 8	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.4060-1.4190	1.4165-1.4175	0.41-0.38c pm	3.36	1.23-1.18pm	3.40
Ireland†	1.1745-1.1815	1.1780-1.1790	0.25-0.15c pm	2.04	0.90-0.60pm	2.65
Canada	1.3755-1.3794	1.3755-1.3765	0.04-0.07c dis	−0.48	0.16-0.21dis	−0.54
Nethlnd.	2.9450-2.9820	2.9540-2.9550	0.51-0.48c pm	2.03	1.51-1.48pm	2.04
Belgium	52.93-53.28	52.95-53.05	1-2½c dis	−0.40	6-8dis	−0.53
Denmark	9.46¾-9.57½	9.48½-9.49	¼-1¼ore dis	−1.26	2¼-2¾dis	−1.06
W. Ger.	2.6130-2.6445	2.6215-2.6225	0.79-0.74pf pm	3.50	2.25-2.20pm	3.39
Portugal	163-164¾	163¼-163¾	190-325c dis	−17.43	500-1050dis	−18.95
Spain	160.85-161.60	160.80-161.05	65-115c dis	−6.70	240-340dis	−7.20
Italy	1,766-1,784½	1,769-1,770	7-7¾ lire dis	−5.00	23-24½dis	−5.33
Norway	7.86¾-7.93¾	7.90¼-7.90¾	2½-3ore dis	−4.17	8¼-8¾dis	−4.30
France	7.97-8.05½	7.98¼-7.98¾	0.60-0.70c dis	−0.98	2.60-2.90dis	−1.38
Sweden	7.85½-7.91¾	7.87½-7.88	3½-4ore dis	−5.71	9¼-10¼dis	−5.08
Japan	206.30-207.60	205.45-205.55	0.07-0.02y pm	0.26	0.18-0.08pm	0.25
Austria	18.38¾-18.69½	18.39-18.42	4¼-3¼gro pm	2.52	11½-9pm	2.22
Switz.	2.1475-2.1745	2.1545-2.1555	0.87-0.82c pm	4.70	2.21-2.16pm	4.05

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 53.45-53.55.

POUND SPOT — FORWARD AGAINST POUND

Nov 8	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.4060-1.4190	1.4165-1.4175	0.41-0.38c pm	3.35	1.23-1.18pm	3.40
Canada	1.9470-1.9528	1.9498-1.9526†	0.50-0.42c pm	2.83	1.44-1.31pm	2.82
Nethlnd.	4.17½-4.20½	4.18¼-4.19¼	2-1¾c pm	5.37	6-5¾pm	5.49
Belgium	74.97-75.36	75.05-75.15	21-16c pm	2.96	58-43pm	2.69
Denmark	13.42¾-13.48½	13.43½-13.44½	3¼-2¼ore pm	2.40	8½-7½pm	2.38
Ireland	1.1990-1.2048	1.2019-1.2029	0.20-0.06p pm	1.30	0.44-0.08pm	0.86
W. Ger.	3.70¼-3.72¼	3.71-3.72	2¼-2pf pm	6.86	6¾-6½pm	6.73
Portugal	230½-234	231-234	145-395c dis	−13.94	500-1280dis	−15.31
Spain	227¾-228½	228-228½	30-80c dis	−2.89	150-270dis	−3.68
Italy	2,503-2,518	2,507-2,508	1-5 lire dis	−1.44	8-13dis	−1.52
Norway	11.12½-11.20¾	11.19½-11.20¾	¼-¾ore dis	−0.47	2-2¾dis	−0.85
France	11.29¾-11.36½	11.31-11.32	2¾-2c pm	2.45	6¼-5¾pm	1.99
Sweden	11.14-11.18¼	11.15¼-11.16¼	1⅞-2⅞ore dis	−2.35	5¼-5⅞dis	−1.97
Japan	290¼-292¾	290¾-291¼†	0.89-0.78y pm	3.44	2.67-2.49pm	3.54
Austria	26.10-26.18	26.11-26.14	13½-12¼gro pm	5.91	39¾-34½pm	5.81
Switz.	3.04-3.06¾	3.05-3.06	2¾-2c pm	8.35	5¾-5⅝pm	7.46

Belgian rate is for convertible francs. Financial franc 75.75-75.85. Six-month forward dollar 2.28-2.24c pm, 12-month 3.90-3.75c pm.
†Corrections (Nov 7) Canada close was 1.9490-1.9530 and Japan close was 291-292

EURO-CURRENCY INTEREST RATES

Nov. 7	Short term	7 Days notice	1 Month	Three Months	Six Months	One Year
Sterling	11⅜-11½	11 7/16-11 9/16	11 7/16-11⅝	11 9/16-11 11/16	11 9/16-11 11/16	11⅜-11½
U.S. Dollar	8 3/16-8 5/16	8-8⅛	8-8⅛	8 1/16-8 3/16	8 1/16-8 3/16	8¼-8⅜
Can Dollar	7⅞-8⅜	8⅛-8⅜	8⅜-8⅝	8½-8¾	8 9/16-8 13/16	8 13/16-9 1/16
D Guilder	5 13/16-6 1/16	5 13/16-6 1/16	5 13/16-6 1/16	5 13/16-6 1/16	5 13/16-6 1/16	6-6⅛
Sw. Franc	1¾-2	1⅝-1⅞	3 3/16-3 5/16	4 1/16-4 3/16	4¼-4⅜	4 5/16-4 7/16
Deutschmrk	4⅛-4⅜	4⅛-4⅜	4⅛-4⅜	4 5/16-4 7/16	4 5/16-4 7/16	4 5/16-4 7/16
Fr. Franc	9 1/16-9 3/16	9 1/16-9 3/16	9 1/16-9 3/16	9⅜-9½	10⅜-10½	10¾-10⅞
Italian Lire	13-14⅛	13⅜-14⅜	13-13⅞	13¼-13¾	13⅜-13¾	13⅜-13⅞
B.Fr.(Fin)	8⅝-8⅞	8½-8¾	8½-8¾	8⅝-8⅞	8⅝-8⅞	8¾-9
Br.Fr(Con)	8⅝-8⅞	8½-8¾	8½-8¾	8⅝-8⅞	8⅝-8⅞	8¾-9
Yen	7⅜-7½	7⅝-7¾	7 11/16-7 13/16	7 11/16-7 13/16	7 1/16-7 3/16	7⅛-7¼
D. Krone	10-10½	9-9½	9-9½	9-9½	9-9½	9-9½
Asian $ (Sng)	8 1/16-8 3/16	8-8⅛	8 1/16-8 3/16	8 1/16-8 3/16	8 1/16-8 3/16	8¼-8⅜

Long-term Eurodollars: two years 9-9⅛ per cent; three years 9⅛-9¼ per cent; four years 9⅝-9⅞ per cent; five years 9¾-10 per cent nominal. Short-term rates are call for U.S. Dollars and Japanese Yen; others, two days' notice.

MONEY MARKETS

Volcker causes some confusion

It was again necessary to look outside London last week for any important developments in the money markets. In New York the Federal funds rate was high, at around 8-8¼ per cent, as payment was made for bills and bonds bought at Treasury auctions, withdrawing money from the banking system. This caused a distortion to the general interest rate picture, leaving no clues about monetary policy following the Federal Open Market Committee meeting at the beginning of the week.

UK clearing banks base lending rate 11½ per cent since July 30

An unexpected fall of $2.2bn in US M1 money supply had little impact. This narrow money supply measure has been running well above target, but Mr Paul Volcker, chairman of the Federal Reserve Board, indicated the target will be ignored, and the Fed will not move to aggressively tighten monetary policy.

This caused some confusion in financial markets, because in the light of the policy aimed at weakening the dollar it was not expected that rates would be increased. Signs of a sluggish economy had led to speculation the Fed may well cut its discount rate before the year end, but Mr Volcker's comments were interpreted as suggesting a slight tightening by the FOMC.

Mr Karl Otto Poehl, president of the German Bundesbank, said during the week there was no intention of following Japan in raising interest rates. The central bank drained a little liquidity in Frankfurt, by not fully replacing a maturing securities repurchase agreement, keeping interest rates around 4.5 per cent. But as expected the Bundesbank council left monetary policy unchanged.

MONEY RATES

(4 pm)

Prime rate	9½
Broker loan rate	9-9¾
Fed funds	7 13/16
Fed funds at intervention	7⅞
Treasury Bills & Bonds	
One month	7.06
Two month	7.20
Three month	7.43
Six month	7.60
One year	7.79
Two year	8.45
Three year	8.83
Four year	9.11
Five year	9.28
Seven year	9.65
10 year	9.82
30 year	10.13

BANK OF ENGLAND TREASURY BILL TENDER

	Nov. 8	Nov. 1		Nov. 8	Nov. 1
Bills on offer	£100m	£100m	Top Accepted rate of discount	11.1505%	11.1505%
Total of applications	£511m.5	£492m	Average rate of discount	11.1393%	11.1373%
Total allocated	£100m	£100m	Average yield	11.46%	11.46%
Minimum accepted bid	£97.22	£97.22	Amount on offer at next tender	£100m	£100m
Allotment at minimum level	22%	33%			

WEEKLY CHANGE IN WORLD INTEREST RATES

	Nov. 8	change		Nov. 8	change
LONDON			**NEW YORK**		
Base rates	11½	Unch'd	Prime rates	9½	Unch'd
7 day interbank	11⅜	−⅛	Federal funds	7⅞	−⅛
3mth interbank	11⅝	+⅛	3 Mth. Treasury Bills	7.48	+0.05
Treasury Bill Tender	11.1393	+0.0020	6 Mth. Treasury Bills	7.67	+0.01
Band 1 Bills	11⅜	Unch'd	3 Mth. C D	7.86	+0.06
Band 2 Bills	11 7/16	Unch'd			
Band 3 Bills	11¼	Unch'd	**FRANKFURT**		
Band 4 Bills	11 7/16	Unch'd	Lombard	5.5	Unch'd
3 Mth. Treasury Bills	11 7/16	Unch'd	One Mth. Interbank	4.65	+0.10
1 Mth. Bank Bills	11 15/32	Unch'd	Three month	4.825	−0.125
3 Mth. Bank Bills	11 7/16	Unch'd			
			PARIS		
TOKYO			Intervention Rate	9⅛	Unch'd
One month Bills	7.59375	Unch'd	One Mth. Interbank	9 3/16	Unch'd
Three month Bills	7.70625	−0.875	Three month	9¼	Unch'd
BRUSSELS			**MILAN**		
One month	8⅝	−1/16	One month	14 11/16	−¼
Three month	8¾	−1/16	Three month	14 11/16	Unch'd
AMSTERDAM			**DUBLIN**		
One month	6 1/16	−⅛	One month	10	+⅛
Three month	6 1/16	−1/32	Three month	10¼	+⅜

London—band 1 bills mature in up to 14 days, band 2 bills 15 to 33 days, band 2 bills 34 to 63 days and band 4 bills 64 to 91 days. Rates quoted represent Bank of England buying or selling rates with the money market. In other centres rates are generally deposit rates in the domestic money market and their respective changes during the week.

MONEY RATES

Nov. 8	Ov'r-nig't	One Month	Two Months	Three Months	Six Months	Lombard In'v'ntion
Frankfurt	4.45-4.55	4.6-4.7	4.75-4.85	4.75-4.90	4.80-4.95	5.5
Paris	9⅛	9⅛-9¼	9⅛-9¼	9 3/16-9 5/16	9 3/16-9 5/16	9⅛
Zurich	⅜-⅝	3¼-3⅜	—	4⅛-4¼	—	—
Amsterdam	6 1/16-6⅛	5 15/16-6 1/16	—	5 15/16-6 1/16	6-6 1/16	—
Tokyo	7.09375	7.59375	—	7.70625	—	—
Milan	14⅜-14⅝	14⅜-15	—	14⅝-15	—	—
Brussels	8.90	8 9/16-8 11/16	—	8 11/16-8 13/16	—	—
Dublin	9¾-10	9⅞-10⅛	10-10¼	10⅛-10⅜	10¼-10½	—

FT LONDON INTERBANK FIXING

(11.00 a.m. Nov. 8)

Three months U.S. dollars		Six months U.S. dollars	
bid 8 1/16	offer 8 3/16	bid 8 1/16	offer 8 3/16

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

LONDON MONEY RATES

Nov. 8	Over night	7 days notice	Month	Three Months	Six Months	One Year
Interbank	2-11⅝	11¼-11½	11 7/16-11⅝	11 9/16-11 11/16	11 9/16-11⅝	11⅜-11½
Sterling CDs	—	—	11½-11⅜	11½-11⅜	11 7/16-11 5/16	11 7/16-11 5/16
Local Authority Depos	11¼-11⅜	11¼-11⅜	11⅝	11⅝	11⅝	11⅜
Local Authority Bonds	—	—	12⅛	12	11⅞	11⅛
Discount Mkt Depos	5-11¼	11½	11½	11¼	—	—
Company Depos	8-11⅝	11⅝-11¾	11¾	11¾	—	—
Finance Hse Depos	—	—	11⅝	11⅝	11⅝	11⅝
Treasury Bills (Buy)	—	—	11 7/16	11 7/16	—	—
Bank Bills (Buy)	—	—	11 15/32	11 7/16	10 15/16-10⅞	—
Fine Trade Bills (Buy)	—	—	11 13/16	11 13/16	11 7/16	—
Dollar CDs	—	—	7.90-8.00	7.90-8.00	7.90-8.00	8.05-8.15
SDR Linked Depos	—	—	7 11/16-7 13/16	7 13/16-8 1/16	7⅞-8⅛	8-8¼
ECU Depos	—	—	8¼-8⅝	8⅜-8½	8 5/16-8 11/16	8 11/16-8 13/16

Treasury Bills (sell): one-month 11⅛ per cent; three-months 11⅛ per cent. Bank Bills (sell): one-month 11 5/16 per cent; three-months 11 11/32 per cent. Treasury Bills: Average tender rate of discount 11.1393 per cent. ECGB Fixed Finance IV: October 2 to November 5 (inclusive): 11.608 per cent. Local authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 12 per cent from November 1 1985. Bank Deposit Rates for sums at seven days' notice 6.25-6.625 per cent (net). Certificates of Tax Deposit (Series 6): Deposits £100,000 and over held under one month 11½ per cent; one-three months 11½ per cent; three-six months 11½ per cent; six-nine months 11⅛ per cent; nine-12 months 11⅛ per cent. Under £100,000 10⅛ per cent from November 7. Deposits held under Series 5 11⅛ per cent. Deposits withdrawn for cash 7½ per cent.